



**STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
MEDICAL ASSISTANCE ADMINISTRATION**

**Implementation –
Advanced Planning Document
MMIS Re-Procurement Project**

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For questions please contact:

John Anderson
MMIS Re-Procurement Project Manager
PO Box 45811
Olympia, Washington 98504-5811

(360) 725-1007

E-mail: anderj2@dshs.wa.gov

FAX: (360) 586-9099

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1. PURPOSE, BACKGROUND, AND ORGANIZATION OF THE I-APD

1.1. Purpose of the I-APD

This Implementation Advance Planning Document (I-APD) is being submitted by the Washington State Department of Social and Health Services (DSHS) to request enhanced Federal Financial Participation (FFP) from the Centers for Medicare & Medicaid Services (CMS) for the Design, Development, and Implementation (DDI) of a modern Medicaid Management Information System (MMIS). This request for 90 percent FFP will fund a more flexible, responsive, and automated claims and transaction processing system and a modular information management and retrieval system that will enhance the State's program management, claims processing, and reporting capabilities. DSHS intends to acquire the modern Medicaid system through a facilities management contractor that will perform DDI tasks necessary to implement the proposed system and that will subsequently provide maintenance services to support the ongoing operation of the MMIS. DSHS intends to submit a Request for Proposal (RFP) for CMS review and approval for the procurement of a MMIS transfer system that includes the following:

1. Modern MMIS, including client, provider, reference, prior authorization, claims processing, Managed Care, Coordination of Benefits (COB)/Third Party Liability (TPL), financial and drug rebate components.
2. Fully functional Pharmacy Point of Sale (POS) component.
3. Separate data warehouse, including Decision Support System (DSS), Executive Information System (EIS), Management and Administrative Reporting (MAR) and Surveillance and Utilization Review (SUR) functionality¹.
4. State-of-the-art Contact/Call Management System.
5. Electronic swipe card functionality supporting client eligibility.
6. Integrated Voice Response (IVR) component.
7. Imaging and document management services.
8. DDI, project management and staffing services, including provider and staff training, cultural and business process change management, risk mitigation, certification support and system documentation.
9. Ongoing system maintenance, data center operations and Facilities Management (FM) services.

The current MMIS is largely run in-house. State staff manages key processes while Affiliated Computer Services (ACS), the current MMIS vendor, operates the MMIS from its own data

¹ A Fraud Abuse and Detection System (FADS) is to be procured separately.

center and provides ongoing maintenance and modification to the MMIS. Teams of state staff perform the bulk of operational services including the following:

1. Provider enrollment and relations.
2. Client services and relations.
3. Call center staffing and management.
4. Prior authorization.
5. Claims administration and processing.
6. Pharmacy services.
7. Imaging and document automation services.
8. Reference file updates.
9. Coordination of Benefits/Third Party Liability.
10. Financial operations.
11. Financial recovery.

DSHS proposes to maintain this same operations model with the modern MMIS.

DSHS understands and shares the following objectives for a modern MMIS as they are articulated within Part 11 Section 11115 of the State Medicaid Manual.

For title XIX purposes, "systems mechanization" and "mechanized claims processing and information retrieval systems" refer to the Medicaid Management Information System. The objectives of this system and its enhancements are as follows:

A. Program

- *More accurate and timely claims processing;*
- *Reduction in program and administrative costs through more effective claims processing, utilization control, and third party liability pursuit; and*
- *Improved management of program and administrative costs.*

B. Service

- *Improved service and information to recipients;*
- *Reduced time to pay providers; and*
- *Improved response time to inquiries.*

C. Operations

- *Reduction in claims personnel requirements;*
- *Increased utilization of computer capability;*

- *Greater utilization of data base;*
- *Improved operational control and audit trails;*
- *Capability to handle increases in claims volume;*
- *Reduction of systems audit exceptions; and*
- *Compatibility with Medicare claim processing and information retrieval systems for the processing of Medicare claims.*

In addition to these Federal objectives, DSHS has identified a number of high level requirements that the modern MMIS is expected to address. Through its requirements analysis efforts, outlined within the MMIS-Re-Procurement APD submitted to CMS and approved in December 2002 (with subsequent updates approved in January and March of this year), DSHS has identified detailed system requirements and business process changes needed to support the business needs of the State. These requirements, when fully addressed within the MMIS implementation, will support the State Medicaid program and will be leveraged to support similar non-Medicaid programs. The phased implementation approach outlined in this I-APD will ensure the proper cost allocation of State and Federal funds to implement system functions to support the State Medicaid program and to implement similar functions that will support related non-Medicaid healthcare programs. The following high level requirements were identified as a result of the requirements gathering efforts funded through the MMIS-Re-Procurement Assessment APD.

The State of Washington needs a modern MMIS that addresses the following high-level business needs:

1. **Consolidate Medicaid and selected non-Medicaid payment information across the Department.** An MMIS that allows for consolidation of all Medicaid payment information (medical and non-medical) across the Department. Currently, Medicaid payments are made from two systems. This decentralization of data makes it difficult to effectively manage the Medicaid program through comprehensive views of historical data for the entire Medicaid program and its individual clients (e.g., workarounds have been developed to support the recently enacted Medicaid Integration Program).
2. **Make maintenance and modifications easier.** The goal is an MMIS that is easier to maintain and modify without always requiring the intervention of application programmers when the system's behavior must be changed to address new business needs. This will allow DSHS to more easily add and modify programs due to legislative mandates and management decisions.
3. **Improve customer service and support.** Provide improved customer service and self service for clients and providers. For example, an MMIS that integrates multiple sub-systems (e.g., claims, third-party recoveries, provider enrollment, call center management, client contracts, etc.) will provide improved customer service and support when clients and providers contact DSHS. On-line enrollment and inquiries also will provide convenience and customer service to providers and clients while supporting Washington's continued goal to digitize government.

4. **Provide flexible and responsive reporting.** Flexible and responsive reporting is needed for users, administrators, policy makers, and federal oversight, who require information in a timely manner to better serve the Department's constituents – providers, clients, other state government agencies, the state legislature, the governor's office, and CMS.
5. **Standardize Encounter Data.** An MMIS that supports receipt of managed care encounter data in standardized formats, providing more data integrity for analysis, reporting and rate setting activities.
6. **Implement improved interfaces and interoperability.** There is a need for improved sharing of information within DSHS and between DSHS and other state agencies. For example, an improved interface between the MMIS and the Automated Client Eligibility System (ACES) is needed to improve the accuracy and timeliness of MMIS eligibility data. Opportunities exist outside the Department as well, such as an improved interface between the MMIS and the Agency Financial Reporting System (AFRS) to improve availability of financial data, and between the MMIS and the Department of Health to verify provider credentialing/licensure before payment is rendered.
7. **Support common provider and client identifiers.** The MMIS design needs to support a common provider and client database to promote the sharing of information across DSHS and between agencies and other states. Common provider/client identifiers bring visibility to total service delivery, reduce duplicate coverage and enhance overall program management.
8. **Automate manual processes and workarounds.** Currently labor-intensive interventions, such as claims adjudication, coordination of benefits, third-party recoveries, and provider enrollment need further automation. At a minimum, there is the need to increase the number of audits and edits to automate these processes, rather than require workers to intervene and manually process claims. Automation of manual payment processes (A-19s) also will enhance payment integrity and visibility.

This I-APD is submitted in accordance with the following laws and regulations regarding MMIS operations and conditions for enhanced FFP:

Federal Social Security Act, Title XIX, 42 USC 1396 et seq.

45 CFR Part 74

45 CFR Part 92

45 CFR Part 95, Subpart F

42 CFR Part 433, Subpart C

Part 11 of the State Medicaid Manual

1.2. Background

The current Washington State MMIS was implemented in 1982. Since that time changes in technology and the Medicaid program have expanded the demands on the system. Paper processes that were once acceptable have now become too complicated and cumbersome. The number of Medicaid clients and the volume of claims have steadily risen. The introduction of Medicaid Managed Care and the Federally mandated compliance with the Health Information Portability and Accountability Act of 1996 (HIPAA) are examples of significant shifts in the Medicaid program. These shifts have been difficult to manage with the limitations of the current MMIS.

The DSHS Medical Assistance Administration (MAA) is responsible for the ongoing maintenance and operation of the current MMIS. In accordance with State labor laws, MAA will continue to operate the MMIS once DDI tasks are complete. While DDI tasks are executed, MAA will continue to staff the existing operation and to work with the current Facilities Management contractor Associated Computer Services (ACS) to manage changes to the current MMIS.

MAA has established a MMIS Re-Procurement Project office led by the MMIS Re-Procurement Project Manager. The organization of the project office was introduced in the APD update approved by CMS in December 2002 (with subsequent updates approved in August 2003, January 2004 and April 2004). The project office will remain in place for the duration of the MMIS Re-Procurement Project. The costs for contractor services and State staff needed to support the phased implementation of the modern MMIS are outlined in this APD.

The current MMIS does not process all Title XIX transactions. A number of systems in other DSHS administrations also process Medicaid claims and other transactions. As a result, there is a great deal of inconsistency in the application of claim processing rules, audits, and edits across these systems. In addition, there is no single repository for Medicaid data which makes budgeting, forecasting, management and Federal reporting unnecessarily complex.

The MMIS of the 21st century has been evolving to meet the demands of an ever changing Medicaid program. The original MMIS package of six interrelated subsystems is being replaced by a modular MMIS concept that supports an agency's business needs around a hub of mission critical databases. An effective MMIS need not reside on one platform or be operated by one entity, rather it must be flexible, scalable and customer service oriented in order to respond to program changes, information delivery needs and legislative/HIPAA mandated changes. In addition, it should be capable of using proven technologies such as the internet to maximize support to managers and customers alike.

Alaska, Delaware, Colorado, New Mexico, and West Virginia, among others, have already replaced legacy systems or are developing MMIS solutions with variations of this modern MMIS structure. Perhaps the most daunting factor in considering replacement strategies is the acquisition cost. While the short term cost for a MMIS takeover is certainly less than the cost of a replacement system, for the long term many states have determined that retaining an MMIS that is well past its prime and is increasingly expensive to maintain, is not a sound investment of IT dollars and resources.

Instead, the long term benefits including greatly reduced maintenance costs and effort, improved access to critical management information, ability to replace or update components rather than entire systems, and increased vendor competition for component contracts weigh heavily in favor of replacing legacy systems.

In October 2003 as a result of a competitively bid requirements analysis RFP, the MMIS Re-Procurement Project began working with FourThought Group, a well known Medicaid consulting firm, to assess the current MMIS environment and identify high level and detailed requirements for a modern MMIS. In March 2004 the results of the requirements assessment were presented to the State Department of Information Services (DIS), Information Services Board (ISB). The ISB in conjunction with the State Legislature approved the staffing plans and budget needed to move forward with the MMIS Re-Procurement Project. State funds are now secure and in place to match the Federal contribution for DDI and ongoing operation of a modern MMIS.

1.2.1. The Current MMIS

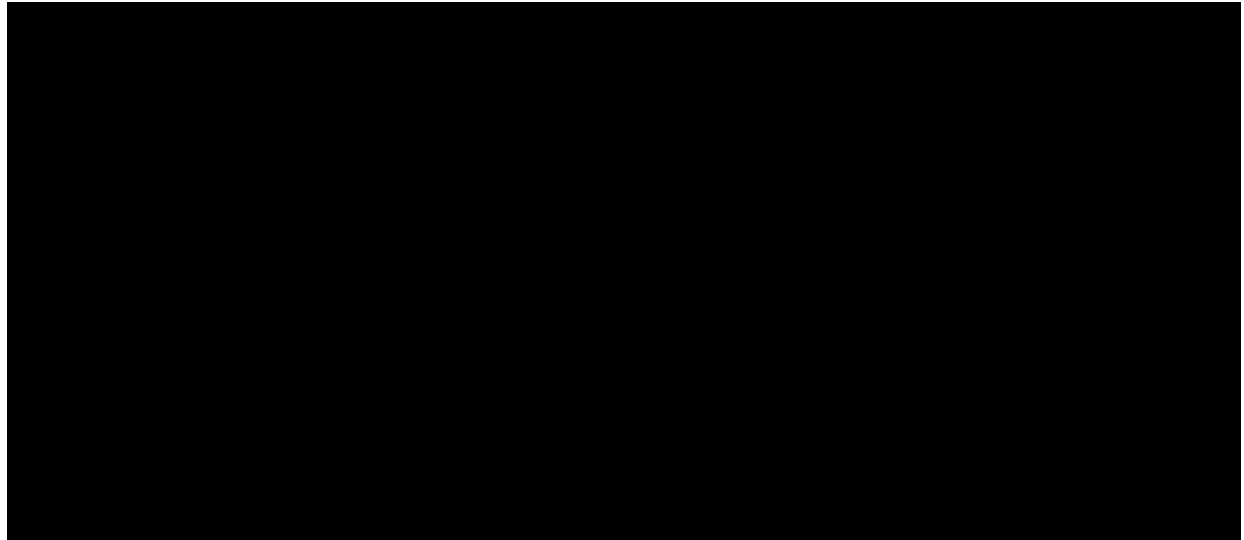
Washington's MMIS is a 1970's legacy system comprised of over 1,400 programs and 3,000,000 lines of COBOL code. As with most older systems, it is a VSAM flat file based application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates require program changes and modifications to the data structure. At a minimum, this means recompiling numerous programs followed by significant regression testing.

The MMIS is largely run in-house. State staff manages key processes such as provider relations and claims resolution. Each month over 2 million claims submitted by 15,000 active providers on behalf of over 967,000 clients are processed. The current MMIS makes over \$3 billion in Medicaid payments to providers annually. Payments are processed weekly through a warrant process that is managed by the Office of the State Treasurer. In its original form, the MMIS appropriately processed fee for service claims and provided MAA with sufficient reports to meet State and Federal reporting requirements. The MMIS was certified by CMS in 1983. With a certified MMIS, MAA was able to secure FFP at the maximum 75% of operations costs and 50% of claims payments.

Throughout the 1990s and into the new century several changes to the Medicaid program including Medicaid Managed Care, The Children's Health Insurance Program (CHIP) and HIPAA have had a large impact on the current MMIS. Each of these major new programs as well as a number of State and DSHS policy initiatives transformed the transaction processing, claims payment and reporting functions within the MMIS.

In 2001 DSHS procured the operation of the Health Watch Technologies (HWT) Decision Support System (HWT-DSS). This modern system was developed with the help of outside contractors and has improved the Department's ability to detect Medicaid fraud and abuse. The HWT-DSS is also used to help MAA and other administrations to make policy and operations decisions based on up to date transaction and payment activity.

Other information systems such as the Social Services Payment System (SSPS), the Automated Client Eligibility System (ACES) and the Agency Financial Reporting System (AFRS) have been affected by the changes to the MMIS over time. Updates have been made to these systems as well. Maintaining the MMIS to keep up with the constant changes and keeping staff responsible for ACES, AFRS, and other systems knowledgeable about the changes in the MMIS is a challenge.

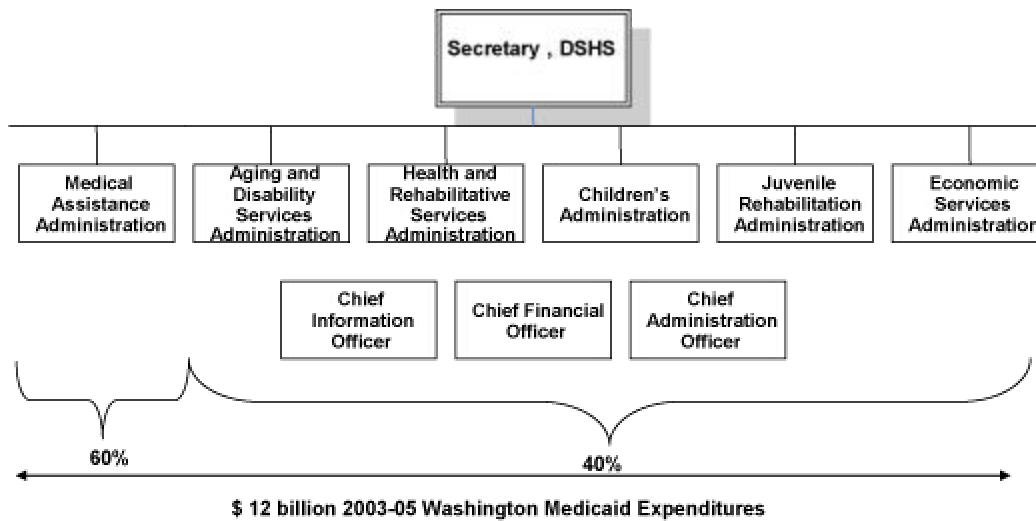


[RCW 42.17.310\(1\)\(h\)](#)

1.2.2. Organization of the Department of Social and Health Services

The DSHS Office of the Secretary and MAA staff along with representatives from the Aging and Disability Services Administration (ADSA), Children's Administration (CA), Health and Rehabilitation Services Administration (HRSA), and the Juvenile Rehabilitation Administration (JRA) set coverage and payment policy under the Medicaid program.

The Department of Social and Health Services was established in 1970. The Department serves approximately 1.3 million people each year; about 1 out of every 4 residents state wide. The DSHS is managed by the Office of the Secretary and six administrations each with the authority to set Medicaid policy for their respective Medicaid and non-Medicaid health programs. The recent JLARC report identified a breakdown of Medicaid expenditures by Administration:



As stated above, one of DSHS's high-level business needs is to consolidate all Medicaid and selected non-Medicaid provider payments into the modern MMIS. This goal was expressed by the Executive Steering Committee² for the project. The criteria for including programs within the scope of the MMIS are as follows:

1. Funding Source is Medicaid, regardless of service type (medical model or social services model)
2. Service type is medical, regardless of funding source
3. Selected payments with similar processes

DSHS's vision regarding the above criteria is to leverage the MMIS investment to address non-Medicaid payments to the extent that these provider payments are truly similar to their Medicaid equivalent in terms of services, providers and processing logic such that additional customization (e.g., design/development) is not required to support these non-Medicaid programs. For example, Medicaid Personal Care (MPC) and Chore services are nearly identical, except Chore clients are not Medicaid eligible. However, the services, providers and processing logic are the same. No additional programming is needed to handle Chore provider payments. Further, implementation costs of the non-Medicaid programs will occur in the final implementation phase, allowing the state to isolate these costs and to apply a Medicaid cost allocation methodology agreed to by CMS.

Finally, it is worth noting that the modern MMIS is a payment system, not a billing system. Therefore, the modern MMIS addressed by this APD specifically excludes billing activities for DSHS programs where other payers are responsible for client services. The scope of this APD also excludes processing of entitlement payments and making direct payments to clients. Furthermore, this APD excludes case management functionality.

The following subsections reflect, by Administration, which DSHS provider payments are candidates for including in the future MMIS based on the three (3) in-scope criteria above. The subsections also indicate the current payment system (MMIS, SSPS, A-19, or other).

² Comprised of the DSHS Secretary, Deputy Secretary, Assistant Secretaries, CIO, CFO and CAO

1.2.2.1. Aging and Disability Services Administration (ADSA)

ADSA provides care to the frail elderly, adults with functional disabilities, and persons with developmental disabilities. Services are provided to those who require assistance to live independently in their own homes, or who receive care in an adult family home, boarding home or nursing home.

Programs			Criteria ³		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment System	MMIS	Adult Day Health	Y/N	Y	N/A
		IMR Services	Y/N	Y	N/A
		Medical/Dental Services	Y/N	Y	N/A
		Medical Transportation (Brokerage, Title XIX State Plan)	Y/N	N	Y
		Nursing Home Payments	Y/N	Y	N/A
		Nursing Home Audits/Settlements	Y/N	N	Y
	SSPS	COPES Waiver	Y	Y	N/A
		PACE Managed Care Program	Y	Y	N/A
		DDD Skilled Nursing for those without Medicaid or private insurance	N	Y	N/A
		Nurse Delegation	Y/N	Y	N/A
		Private Duty Nursing	Y/N	Y	N/A
		DDD Community Support	Y/N	Y/N	Y

³ A "Y" in any column indicates payments will be handled by the modern MMIS. A "Y/N" in any column indicates some, but not all, services within a program meet the criteria.

Programs		Criteria ³		
		1. Title XIX	2. Medical	3. Similar Process
A-19	Medicaid Personal Care (MPC) for Adults	Y/N	N	Y
	Family Support and Medicaid Personal Care (MPC) for Children	Y/N	Y/N	Y
	Voluntary Placement Program (VPP)	Y/N	Y/N	Y
	DDD Home & Community Based Services Waivers	Y/N	Y/N	Y
	SSP (State Supplemental Payment)	N	N	Y
	Nurse Aide Training	Y	N	Y
	DMIO (Dangerous Mentally Ill Offenders)	N	Y/N	Y
	Chore Services	N	N	Y
	Discharge Resources, Home & Community Services	N	N	Y
	Bed holds	N	N	Y
	State Paid Adult Family Home	N	Y/N	Y
	Individual Provider Orientation	Y/N	N	Y
	State Paid Adult Residential Care (ARC)	N	N	Y
	Adult Protective Services (APS)	N	N	Y
	Medically Needy In-Home Waiver	Y	Y	N/A
	Medically Needy Residential Waiver	Y	Y	N/A
	Financial Related – Incapacity	N	Y	N/A
	DDD Day Program Direct Payments	Y/N	N	Y
	DDD Supported Living	Y/N	N	Y
	DDD Group Homes	Y/N	N	Y
	CHRIS – County Day Programs	Y/N	Y/N	Y

Programs			Criteria ³		
			1. Title XIX	2. Medical	3. Similar Process
		DDD Nursing Oversight	Y	Y	N/A
		Nursing Home Payments (non-Title XIX)	N	Y	N/A
		Infant Toddler Early Intervention Program (ITEIP)	N	Y	N/A

1.2.2.2. Children's Administration (CA)

CA protects children from abuse and neglect, provides family reconciliation services, arranges for foster home care and adoption services, and licenses childcare providers.

Programs			Criteria ⁴		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment System	MMIS	Adoption Medical Support	Y	Y	N/A
	SSPS	Family Reconciliation Services	N	Y/N	Y
		Family Focused Services	N	N	Y
		Medicaid Treatment Child Care (A-19)	Y	Y	N/A
		Crisis Residential Center	N	Y/N	Y
		Family Foster Care	N	Y/N	Y
		Sexually Aggressive Youth	N	Y/N	Y
		Behavior Rehabilitation Services (BRS)	Y/N	Y/N	Y
		Hope Center Services	N	N	Y
		Relative Support Services	N	N	Y
		Adoption Support	N	Y/N	Y

⁴ A "Y" in any column indicates payments will be handled by the modern MMIS. A "Y/N" in any column indicates some, but not all, services within a program meet the criteria.

Programs			Criteria ⁴		
			1. Title XIX	2. Medical	3. Similar Process
		Independent Living Services	N	N	Y
		Family Home Support Services	N	N	Y
		Personal Care Services for Children	Y	Y	N/A

1.2.2.3. Economic Services Administration (ESA)

ESA helps individuals and families in need to achieve economic and social well-being by providing cash and food assistance, child support services, child care, and work-focused services designed to help people find and retain employment.

Programs			Criteria ⁵		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment System	SSPS	Disability Medical Evaluation	Y/N	Y	N/A
		SSI Initial Evaluation	Y/N	Y	N/A
		SSI Records	Y/N	Y	N/A
		SSI Transportation	Y/N	N	Y
		Refugee and Immigration Assistance (A-19)	N	Y	N/A

1.2.2.4. Health and Rehabilitative Services Administration (HRSA)

HRSA provides resources to help clients with physical and mental disabilities, mental health problems, or chemical dependency, as defined by state and federal laws. HRSA is comprised of several divisions, of which three (3) plan to use the MMIS, including the Division of Alcohol and Substance Abuse (DASA), the Mental Health Division (MHD), and the Special Commitment Center (SCC).

⁵ A "Y" in any column indicates payments will be handled by the modern MMIS. A "Y/N" in any column indicates some, but not all, services within a program meet the criteria.

Programs (DASA)			Criteria ⁵		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment System	MMIS	Outpatient Chemical Dependency Treatment	Y	Y	N/A
		Residential Services (less than 17 beds)	Y	Y	N/A
		Support Services – Case Management, Urinalysis, Therapeutic Child Care	Y	Y	N/A
	RSVP or A-19	Outpatient Chemical Dependency Treatment (County Contracts)	N	Y	N/A
		Residential Services (more than 17 beds)	N	Y	N/A
		Support Services – Housing Support and Interpreters	N	Y	N/A

Programs (MHD and SCC)			Criteria ⁵		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment System	MMIS	Involuntary Mental Health	Y	Y	N/A
		Voluntary Mental Health	Y	Y	N/A
	A-19	CLIP Medical and Dental Visits	Y/N	Y	N/A
		CSTC Medical and Dental Visits	Y/N	Y	N/A
		SMHH Medical and Dental Visits	Y/N	Y	N/A
		Court-Ordered Psychiatric Evaluations	Y/N	Y	N/A
		RSN Block Grant Payments (Premiums)	Y/N	Y	N/A
		SCC Medical and Dental Visits	Y/N	Y	N/A

1.2.2.5. Juvenile Rehabilitation Administration (JRA)

JRA provides juvenile offenders with rehabilitation and offers programs to help them transition back to the community.

Programs			Criteria ⁶		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment	MMIS	Chemical Dependent Disposition Alternatives Assessment	Y	Y	N/A
	A-19	Residential Treatment & Care Programs (* Title XIX eligibility pending)	Y*	Y/N	N/A
		Contracted Community Facilities (BRS Services)	Y	Y/N	N/A
		Medical and Dental Visits	N	Y	N/A

1.2.2.6. Medical Assistance Administration (MAA)

MAA provides health care coverage for low-income families, pregnant women, children, the elderly, and persons with disabilities. Coverage is provided through six programs, the largest of which is the Medicaid program. Nearly one million persons currently receive health care through these programs, including one-third of all children in the state. The administration's budget represents 41 percent of the Department's total spending.

Programs			Criteria ⁷		
			1. Title XIX	2. Medical	3. Similar Process
Current Payment	MMIS	Hospital Inpatient	Y	Y	N/A
		Hospital Outpatient	Y	Y	N/A
		Managed Care	Y	Y	N/A
		Physician	Y	Y	N/A
		Pharmacy	Y	Y	N/A

⁶ A "Y" in any column indicates payments will be handled by the modern MMIS. A "Y/N" in any column indicates some, but not all, services within a program meet the criteria.

⁷ A "Y" in any column indicates payments will be handled by the modern MMIS. A "Y/N" in any column indicates some, but not all, services within a program meet the criteria.

Programs			Criteria ⁷		
			1. Title XIX	2. Medical	3. Similar Process
		Dental	Y	Y	N/A
		Home Health	Y	Y	N/A
		Optical	Y	Y	N/A
		Durable Medical Equipment	Y	Y	N/A
		Transportation	Y	Y	N/A
		Family Planning	Y	Y	N/A
	SSPS	First Steps Program (child birth education)	Y	Y	N/A
	A-19	Interpreter Services	Y	Y	N/A
		Transportation Services	Y	Y	N/A
		Refunds	Y	Y	N/A
		Out-of-State Providers/One Time Payments	Y	Y	N/A

1.2.2.7. Office of the Secretary

The Office of the Secretary is led by the DSHS Secretary and Deputy Secretary. Together with the Assistant Secretaries of the six DSHS Administrations, the Office of the Secretary is responsible for all health policy and resource management issues facing DSHS. The Office of the Secretary is involved with all aspects of DSHS with regards to budget development and monitoring, legislative relations, loss prevention and risk management, communications, personnel services reform, human resources, and information technology services. In addition to the Secretary, Deputy Secretary, and Assistant Secretaries, the Office of the Secretary includes the following key management positions:

- The Chief Information Officer (CIO) who oversees the Information System Services Division (ISSD) including the offices of Communications, Customer Services, and Systems Operations.
- The Chief Financial Officer (CFO) who oversees the Financial Services Administration (FSA) including Accounting Services, Information Technology, Financial Recovery, Forecasting and Policy Analysis, and oversight of the Operating Budget.

- The Chief Administrative Officer (CAO) who oversees Management Services, Fraud Investigations, the Governor's Juvenile Justice Advisory Committee, Lands and Buildings, and Research and Analysis services.
- The Director of Government and Community Affairs who oversees Constituent Services and Victim/Witness Notification services.

1.3. Organization of this I-APD

To aid the reader in review of this document, refer to the following overview:

Section 1: Purpose Background and Organization of the I-APD: This section introduces the reasons why the State of Washington needs a modern MMIS and outlines the high level requirements and benefits the modern MMIS will address.

Section 2: Needs and Objectives: This section identifies the business environment within which the modern MMIS will operate and contains a list of major Medicaid program needs and objectives the MMIS must address.

Section 3: Requirements Analysis and Scope: The categories of requirements and an explanation of the process the DSHS MMIS Re-Procurement Project Team has taken to document the functional requirements of the MMIS are presented. The Scope of the MMIS includes support for the business functions of all State Medicaid programs and related non-Medicaid programs.

Section 4: Alternatives Consideration: This section outlines four different MMIS development and support approaches DSHS considered. This I-APD requests FFP for the Transfer and Modify alternative. Justification for this approach and the reasons the other approaches were rejected are included.

Section 5: Cost Benefit Analysis: The tangible and intangible benefits of the proposed MMIS are presented in this section. The proposed budget is introduced at a high level.

Section 6: Description of Activities: The list of major project milestones and deliverables that must be accomplished to successfully implement the MMIS are presented in this section.

Section 7: Proposed Schedule: This section contains the high level work plan and dates by which the major milestones are expected to be reached. The timeframes for the planning, design, development, implementation and certification of the MMIS are included.

Section 8: Personnel Resource Statement and Project Management: An organization chart for DSHS and for the MMIS-Re-Procurement Project team is described. Resources that have been assigned full time to the re-procurement project are listed. The use of contractors to conduct DDI is outlined. The project management approach DSHS will take to ensure the success of the project is explained.

Section 9: Constraints and Assumptions: DSHS is working under a number of constraints including working together with CMS to implement the modern MMIS prior to the end of the current base facilities management contract. Assumptions relative to the phased implementation of the components of the MMIS are explained.

Section 10: Proposed Budget and Cost Distribution: The cost of each phase of the MMIS-Re-Procurement Project is presented in tabular form. State and Federal financial participation and total costs for the project are included.

Section 11: Period of Use: DSHS intends to contract with a facilities management vendor to support DDI and ongoing operation of the MMIS. The contract period is for a total five (5) years with three (3) one (1) year renewal options for a maximum period of eight (8) years. The first two (2) years of the contract are for DDI, followed by three (3) to six (6) years of operations, depending on the number of options exercised. Assuming a contract start date of January 1, 2005, the contract could extend to December 31, 2012.

Section 12: Assurances and Agreements: DSHS intends to comply with all federal requirements and agreements as specified in Section 12 of this document.

Section 13: Conclusions: The MMIS Re-Procurement Project scope of work, anticipated benefits, activity schedule, and request for financial participation is summarized.

2. NEEDS AND OBJECTIVES

Over the years the business objectives for the MMIS have changed and grown. Responding to State budget constraints, providing the State Legislature with accurate and timely health care and expenditures information, and continued compliance with Federal mandates must be achieved. Improving the Department's ability to accomplish these objectives is in the best interest of the State.

Justification for the MMIS Re-Procurement Project comes from a variety of sources. The current system does not meet the overall business needs of its users. Users include MAA staff and other DSHS management and administration personnel, outside entities who access the MMIS such as providers, Medicaid clients, health plans, and other government agencies. The ability to respond to inquiries from the DSHS Office of the Secretary, the State Legislature and the ISB must be improved. The impact of the MMIS on the Office of the State Treasurer, the Office of the Attorney General, and the overall State budget all contributed to the business needs analysis.

To that end the following goals for the re-procurement of the MMIS have been established:

- Using a phased approach, implement a 21st century MMIS that is consistent with the business requirements of DSHS.
- Integrate all Medicaid transactions into the modern MMIS.
- Train DSHS staff to work effectively within the modern MMIS environment.
- Maintain HIPAA compliance; support the storage and use of all HIPAA EDI transaction data elements and code sets. Maintain compliance with all Electronic Data Interchange (EDI), code set, Privacy, Security, and National Provider Identifier (NPI) regulations under HIPAA.
- Manage effective Medicaid and similar non-Medicaid business policies, processes, practices and functions within the modern MMIS environment.
- To bring about change incrementally through a phased implementation plan to leverage the MMIS to address both short-and long-term goals.

To accomplish these goals the modern MMIS implementation will be managed in three phases:

1. Phase 1 will implement the Medicaid transactions that are supported by the current MMIS. This first set of functionality supports the base requirements of the Washington Medicaid Program. The Phase 1 implementation is scheduled to be complete in December 2006, to coincide with the expiration of the current MMIS contract.

2. The Phase 2 implementation will incrementally enhance the modern MMIS to support remaining Medicaid programs that today are not supported by the current MMIS. These programs include for example, Medicaid Personal Care (MPC) the COPES Nursing Services program, the Behavioral Rehabilitation Services program, and others. Phase 2 is scheduled for completion by 2007.
3. Phase 3 implementation will address non-Medicaid programs such as the Home Chore Services program and other programs will be then be implemented under Phase 3 to be complete in 2008.

2.1. Business Needs

MAA manages a large portion of the Medicaid program. However, with the introduction of managed care and the necessary expansion of matching Federal funds for mental health, developmental disability, and substance abuse services, more integration between the administrations within DSHS is needed. Also, payments for several Medicaid programs, such as Medicaid Personal Care and Medicaid waived services are handled by the SSPS. While many of the State's healthcare programs are already served by the current MMIS, there is a need for additional system functionality and efficiencies. Medicaid and other healthcare administrators must no longer be limited by out of date technology and the extended time that is currently needed to make changes to the system. Over 20 small databases and separate reporting systems have been developed to work around the limitations of the current MMIS. DSHS business units can no longer support the cost of maintaining these work-around solutions. The lack of a single, comprehensive Medicaid system was the major business driver in the recent scope decision by the Executive Steering Committee (ESC) to address all Medicaid payments in the future MMIS.

In the 2001-2003 budget cycle the State Legislature mandated the Utilization and Cost Control Initiative. The initiative is designed to curb the growth in healthcare costs. A specific focus of the initiative is to improve the ability to cost avoid and recover claims payments when third party insurance exists. Cost savings are also managed through coordination of changes to eligibility criteria managed through ACES.

As changes are made to the State's healthcare programs and to the systems that support them, the MMIS must keep pace. Each time changes are implemented within the AFRS, ACES, and other DSHS systems, the MMIS must also be modified to accommodate the change.

The following table lists more detail business needs DSHS intends to satisfy with the modern MMIS. The MMIS RFP will outline functional requirements to meet these needs.

Business Needs

Business Need	Description
Single unique Provider ID.	Multiple claims and premium payment systems are in place today. One provider may have multiple IDs, one for each system. A single ID is needed for each provider to eliminate reconciliation efforts and improve reporting. The system must accommodate the newly finalized HIPAA National Provider Identifier (NPI) regulation. A single provider ID also will support enhanced fraud detection activities as providers potentially could bill across systems using multiple IDs.
Improved provider enrollment.	All CMS and DSHS Requirements relative to provider enrollment and provider tracking must be addressed within the MMIS.
Single provider data base across DSHS.	Multiple DSHS information systems maintain the same or similar lists of providers. Design the MMIS to use DSHS provider system of record and allow other systems to access the MMIS Provider database. A single provider ID also will support better utilization reviews and management of the Medicaid program, as clients currently receive services across multiple programs using multiple IDs.
Single unique Client ID.	Multiple claims, premium payment and eligibility systems are in place today. The same client may be assigned multiple IDs. One unique client ID is needed for each client to eliminate reconciliation errors and improve reporting.
Improved client eligibility verification.	All CMS and DSHS Requirements relative to client history and client eligibility verification must be addressed within the MMIS. Although this functionality exists in the current system, there are numerous opportunities to improve the ACES/MMIS interface regarding data integrity between the two systems.
Single client data base across DSHS.	Multiple DSHS information systems maintain the same or similar lists of clients and managed care enrollees. Design the MMIS to use DSHS client eligibility system of record for Medicaid and related services and allow other systems to access the MMIS client database.
Managed care enrollment.	All CMS and DSHS Requirements relative to client enrollment and managed care encounter data processing must be addressed within the MMIS. Current managed care functionality excludes the Mental Health Division of the HRSA.
Up to date reference files.	Automated processes for receiving and updating reference files must be developed. The current system is highly manual, cryptic and difficult to use.

Business Need	Description
Process all Medicaid claims, including non-medical claims.	Leverage the MMIS to process and pay Medicaid Personal Care (MPC) and other non-medical service claims. Process all claims for Medicaid covered services in the modern MMIS.
Claims adjudication.	Flexible edits and table driven adjudication logic must facilitate efficient updates and changes to claims processing, prior authorizations and professional review. Not auditable at line level in DSS.
Financial processing.	All financial processing including mass adjustments must be fully auditable and verified for accuracy.
The Management and Administrative Reporting (MAR) system and the Surveillance and Utilization Review (SUR) system.	All Federal and DSHS management reporting and surveillance and utilization reporting requirements must be met.
Imaging automation and workflow.	Current Optical Character Recognition (OCR) capabilities are limited. Increase the ability to scan paper claims and all attachments. Improve the automatic routing of these electronic images to the appropriate location for review and resolution. Collect improved throughput statistics to support workload management functions.
Advanced Third Party Liability edits.	Increase the amount of third party liability data stored by the system. Include the capture and storage of detailed covered services and coverage dates. Provide this additional information to providers and to cost avoidance and pay and chase analysts. Support outgoing Coordination of Benefits (COB) transactions to permit MAA and other primary/secondary payors to coordinate provider payments and ensure that Medicaid is the payor of last resort.
Reduce the claims resolution backlog.	Provide automated workflow analysis and table driven claims resolution rules to aid resolution staff in quickly prioritizing and working claims that are awaiting professional review, prior authorization, eligibility determination, and fair hearings.
Provide consistent data element names across the system.	Provide a fully automated Data Element Dictionary (DED). Provide the ability to search the DED and to quickly identify data elements that are affected by proposed system changes. Allow only one data element descriptor for each data element. Consistently display data element descriptors across the screens, reports, and systems specifications within the MMIS. Include all data elements contained in the HIPAA EDI transactions

Business Need	Description
Ability to process non-Medicaid transactions.	Design the ability for non-Medicaid transaction processing functions that are similar to their Medicaid counterparts and share common provider, client, financial, reference, and other subsystem functions within the MMIS.
Store denied claims history.	Provide the ability to perform trends analysis and cost studies on the amount of time and administrative dollars that are spent submitting and processing denied or otherwise failed transactions through the MMIS.
Eliminate where possible the number of manual A19 payments.	Identify ways in which manual claims processing may be automated and integrated within the MMIS.
Establish detailed audit trails.	All transactions and data base updates must be identified with unique identifiers and be stored for subsequent review. All audit trails must include at a minimum; user/process ID, date, time, before image, after image. Ten years of audit trail history must be stored on the online MMIS database.
Provide online context sensitive help function.	Based on user and field level security rules provide online help functions that allow users to access detailed data element descriptions, procedural instructions, security and privacy guidelines for any field, screen, function, or file within the MMIS. Include adjudication instructions. The current "Text Files" are extremely difficult to use and maintain.
Improve response time and processing cycle time.	Negotiate system performance metrics with DDI contractor that maintain 24 X 7 system availability with penalties for unscheduled down time.
Allow for secure internet access to the MMIS.	Integrate browser based user interface functionality and the ability for providers, clients, and users to access the MMIS via the internet. Provide electronic signatures and other authorizing mechanisms to ensure the safety of protected health information.
Support authorization of services at the client level.	Allow Caseworkers and other DSHS staff to process prior authorization requests on behalf of clients based on their specific field level security access permissions.
Comply with all CMS federal reporting requirements.	Integrate MSIS and other reporting tools into the MMIS. Allow all historical and new day reports to be accessible online. Support the ability to search through report content and to extract report data for download into EXCEL and other office tools.
Support program utilization, budget analysis and utilization analysis across DSHS.	Link the MMIS and the Data Warehouse to allow for effective data analysis. Allow all users with the proper access permissions to access and query the data.

Business Need	Description
Support robust and reliable interfaces.	Improve the ACES interface and coordinate with other eligibility source systems to provide the most accurate eligibility verification data possible to the MMIS.
Integrate the MMIS with other information systems.	Automatically display the latest client, provider and transaction data to call center staff and providers through the Integrated Voice Response (IVR) and other data access points.
Support enhanced Prior Authorization (PA) capabilities.	Increase the capacity of the system to store PA history and introduce the fully functional 278 X12 HIPAA transaction to realize greater operational efficiencies.
Improve the current Drug Rebate capabilities.	Retain claim information down to the line level within the Drug Rebate component to support resolution of drug rebate disputes from pharmaceutical manufacturers.
Enhance the Pharmacy Benefits Management System (PBMS) to realize greater operational efficiency.	Introduce Step Therapy and Smart PA into the PBMS, reducing the need for manual PA interventions and a greater number of drugs on the preferred drug list.
Require a state-of-the-art testing facilities.	Introduce isolated test environments to support unit, system and integration testing, including an Integrated Test Facility (ITF). The ITF should support User Acceptance Testing (UAT) as well as an impact analysis environment to perform "what if" analysis to test the impacts of proposed business and policy changes against production data.

2.1.1. Business Process Changes

In addition to overcoming the limits of the current MMIS, the modern MMIS has to support ways to update and improve critical business processes. Areas include more advanced surveillance and utilization management, improved management of front end claims edits, fair hearings resolution, work flow management, prior authorization, provider enrollment and credentialing, and Third Party Liability (TPL) recoveries and cost avoidance. DSHS staff expect to learn much from the vendor as the transfer system is introduced and business processes inherent to the transfer system are explained.

2.1.2. Multiple Systems and Manual Processes

Currently a number of Medicaid payments are processed separately from the MMIS through the SSPS and the A19 manual payment process. For reporting purposes the manual and automated payments are combined through the use of a stand-alone database. Manual calculations and cross checks are performed to ensure the accuracy of the payment categories and totals. These payments are tracked and combined with the payments made through the MMIS to facilitate Federally required reporting of Medicaid expenditures and utilization. Automating these processes and integrating a select set of these functions into the modern

MMIS will increase accuracy and reduce the amount of time needed to administer manual payments.

2.1.3. Managing Scope Change

Changes to the Medicaid program are inevitable. All changes need to be tracked and managers need the ability to look back at a change control data base to determine the viability of estimates and potential risk areas a change request may encounter. The establishment of a well documented change control procedure and the automation of the change request tracking process will streamline the implementation of changes and assist with the management of user's expectations when multiple changes are needed simultaneously.

2.2. Ongoing HIPAA Compliance

HIPAA compliance with current final rules and future final rules is a critical characteristic of the modern MMIS. The modern MMIS must be able to send and receive HIPAA transactions over a variety of media and to/from a variety of end user devices. Ease of use for external users to create, send, receive and read HIPAA transactions will be an important factor in the success of the new system.

The modern MMIS is expected to support the full storage and use of all EDI transaction data elements and HIPAA code sets. As the X12 organization adopts changes to the EDI transactions under the current regulations, the MMIS data element dictionary needs to be updated and the master data base adjusted to accommodate the changes.

The DDI Vendor is expected to provide a process for managing the transition of healthcare providers to the new MMIS and the Vendor's EDI enrollment process. The Vendor will need to establish testing procedures for certifying provider and clearinghouse readiness to submit HIPAA transactions to the State. Testing will need to include HIPAA compliance as well as companion guide compliance. This transition process and various stages of individual provider/clearinghouse readiness must be open and visible to MAA in order to monitor progress.

2.3. Medicaid Data Warehouse and Decision Support System

Through its implementation of the HWT-DSS DSHS has progressively enhanced the ability of operations and program managers to look for ways to reduce Medicaid fraud and abuse. The concepts and skills learned through the use of the HWT-DSS must be expanded. DSHS must train more users to understand and utilize modern data warehousing tools and techniques. Expanding the types and availability of data is needed to allow analysts to develop and test potential program changes and to develop more cost effective programs.

Data Warehousing and information retrieval functions include development and maintenance of a data warehouse and reporting tools that support both fee-for-service and managed care data reporting and analysis. The data warehouse and reporting tools must store and report all claims/encounters, financial, demographic, eligibility, pharmacy and provider data. Requirements will include the migration of all MMIS encounter and fee-for-service data from the MMIS, implementation and development of warehouse query and reporting tools, user training, and delivery of technical and user documentation.

The Data Warehouse must house and make available data including but not limited to:

- All claims data (paid and denied).
- Encounter data.
- Eligibility data.
- Provider data.
- Reference data.
- Third Party Liability (TPL) data.
- Prior Authorization data (PA).
- Early and Periodic Screening, Diagnosis and Treatment (EPSDT) data.
- Meta data as defined by DSHS.

Both pre-defined (or “canned”) and ad-hoc reporting capabilities are needed. The modern MMIS must include a reports management function that will allow users to quickly locate canned reports or stored query results and to search by report title, date, key words, and other criteria. The reports management function must allow users to search through a report and to highlight and extract portions of a report for printing or download to common office applications.

DSHS intends to build a Data Warehouse that will serve as the data repository for all transactions processed through the modern MMIS. This will include Medicaid services and non-Medicaid services. The goal is to provide a deep repository of data in support of data analysis and decision making that will result in more efficient operation of the Medicaid program, improved management of similar non-Medicaid programs, and improved service to providers and clients. However, DSHS intends to procure the Fraud and Abuse Detection System (FADS) under a separate contract. The current HWT-DSS component will fulfill FADS functionality until cutover to the new FADS.

The modern Data Warehouse and Decision Support System must support the following major functions of the MMIS:

2.3.1. Management and Administrative Reporting (MAR)

The Data Warehouse will be used to generate and store programmatic, financial and statistical reports that satisfy State and Federal reporting requirements and assist with fiscal planning and control, program and policy planning, monitoring and evaluation of all components of the Medicaid program. MAR reports include analyses of historical trends and the ability to predict impacts of policy/program changes. MAR utilizes key data and information from other MMIS functions to generate standard reports. Reporting functions must meet existing format and data requirements for State and Federal reporting, and must provide maximum flexibility to accommodate future policy and data modifications with a minimum of program changes. The Federally required Medicaid Statistical Information System (MSIS) data feed will also be supported by the Data Warehouse.

2.3.2. Surveillance and Utilization Review (SUR)

The Data Warehouse will support statistical profiles of health care delivery and utilization patterns of both providers and recipients based on Federal and State guidelines and user-defined parameters. SUR supports the identification and investigation of aberrant practices, allowing State SUR staff, payment integrity staff, and fraud investigators to provide a reasonable and accurate utilization review, safeguard the quality of care, and take appropriate action to correct and guard against fraud or abuse in the Medicaid program.

2.3.3. The Decision Support System (DSS) and Executive Information System (EIS)

The Data Warehouse will be used to feed and expand DSHS Decision Support and Executive Information Systems (DSS/EIS). These systems enhance traditional MAR and SUR functionality by providing access to large volumes of data to produce specialized reports and a more comprehensive set of utilization and comparative statistical information. DSS/EIS functionality includes the integration of external data with MMIS data for the purpose of fiscal and policy review and development, and comparison of utilization and health care quality statistics.

2.3.4. Ad hoc Query Ability

The Data Warehouse will support a set of navigation and analysis tools that provide easy access to high quality data in a timely manner. Flexible query tools allow users to customize the information retrieved, and analyze data to answer specific program questions and support management decisions. The query tools should be easy to learn, specific to a users data warehousing needs and skill set, and allow flexibility to support data changes.

2.4. Objectives

Additional objectives to be achieved by this procurement effort are grouped into the following three major categories: cost containment, program administration, and performance.

- **Cost Containment:** concerns those objectives which, when implemented, will save both program and administrative dollars through increased efficiencies achieved through automation or enhanced functionality.
- **Program Administration:** relates to the overall management of the Medicaid program to ensure that it meets the needs of its client population in an effective manner.
- **Performance:** relates to the timeliness of processing, delivery of services, and other associated standards that must be attained to meet federal and state mandates.

The following table outlines these additional objectives.

Cost Containment	Program Administration	Performance
<ul style="list-style-type: none"> • Incorporate maintenance and operational efficiencies that are made possible through the use of modern computer and communication technologies, while protecting the integrity of the program. • Utilize Electronic Data Interchange and transaction standards wherever possible and support the industry standardization of processes, interfaces, paper and electronic claims format. • Maximize reporting capability to increase effectiveness of quality assurance monitoring of the Medicaid Program. • Maximize the use of automated electronic interfaces, controls, and management reporting between outside agencies and the MMIS. 	<ul style="list-style-type: none"> • Offer batch and on-line ad hoc reporting, as well as, an interactive Data Warehouse and Decision Support System. • Allow user-friendly system interactions, navigation, and interfaces through a web based Graphical User Interface. • Provide contractual (staffing) flexibility to assist DSHS in the administration of the Medicaid program. • Improve the relationship and support level presented to provider community. • Ensure that the modern MMIS is fully and accurately documented. • Ensure that the system complies with the requirements of HIPAA, CLIA, and other federal or state legislation. 	<ul style="list-style-type: none"> • Ensure the System meets or exceeds federal MMIS Certification and Performance Standards. • Ensure that future changes in DSHS programs can be implemented more accurately, and efficiently. • Ensure increased flexibility in data retrieval and report definition to allow enhanced access to useful information that reflects the dynamics of the program. • Provide enhanced management reporting through on-line, ad hoc, and decision support functionality.

3. REQUIREMENTS ANALYSIS AND SCOPE

3.1. Requirements Analysis

In September, 2003 the MMIS-Re-Procurement Project and FourThought Group began working to define requirements and to make the business decisions needed to implement a modern MMIS. The goal of the project was to analyze the business and systems needs of DSHS as they relate to the Medicaid program and specifically to the MMIS. The results of the analysis were used to assist MAA to organize the MMIS Re-Procurement Project. The Requirements Analysis project was the first step in the MMIS re-procurement process. DSHS and FourThought Group worked together to discover, analyze, and document the State's current and future Medicaid business practices and system needs. At the highest level, the following project milestones define the scope of the requirements analysis:

Requirements Analysis Objectives

Objective	Milestone/Result
Document the current technological and organizational environment.	MMIS Business and Systems Requirements Analysis <u>Technology Analysis Report</u> and <u>Existing Technical and Organization Environment</u> .
Identify high-level issues with the current MMIS and the high-level needs for the future system.	MMIS Business and Systems Requirements Analysis <u>Needs and Issues Report</u> .
Identify the functional system requirements for the modern MMIS.	MMIS Business and Systems Requirements Analysis <u>Technical Requirements Report</u> and the <u>System Requirements Report</u> .
Analyze alternatives and recommend a future technological infrastructure development strategy.	MMIS Business and Systems Requirements Analysis <u>Technology Analysis Report</u> .
Analyze alternatives and recommend a modern MMIS procurement strategy.	MMIS Business and Systems Requirements Analysis <u>Requirements Analysis Report</u> .
Analyze the current state of the Medicaid Medical Eligibility Determination process and related interface issues between the MMIS and ACES systems, and make recommendations for improvements to these processes.	MMIS Business and Systems Requirements Analysis <u>ACES Interface Assessment Report</u> .
Perform a Business Process Review (BPR) for four functional areas of the Medicaid program: MMIS services, Claims Processing, Prior Authorization, and Provider Enrollment.	MMIS Business and Systems Requirements Analysis <u>MMIS Business Process Review Report</u> .

Fulfilling the objectives of the Requirements Analysis established a base of information that resulted in the final decision as to the approach DSHS proposes to take to the implementation of a modern MMIS.

The analysis provided specific management and systems requirements that are the basis for this APD and for the subsequent RFP for the procurement, DDI and ongoing operation of the modern MMIS.

As part of the MMIS Business and System Requirements Analysis Project MAA conducted a series of Joint Application Design (JAD) sessions with State staff across all of the administrations that have an impact on the Washington Medicaid program. Nearly 200 JAD participants identified nearly 800 business requirements. Individual interviews were also conducted to collect technical requirements and define the limitations of the current MMIS.

Through interviews and formal Joint Application Design (JAD) sessions, held in the last quarter of 2003, a number of high level and detailed requirements were documented. These requirements will form the base of the RFP DSHS plans to release to the vendor community July 1, 2004.

3.2. Cost Analysis Methodology/Scope

The MMIS Re-Procurement Project along with FourThought Group prepared a profile of the current MMIS in order to evaluate the cost/benefit of keeping the current system. The profile included the cost of State and contractor staff, equipment and other system infrastructure that are in place to support the MMIS.

The cost estimates presented in this APD are based on research into other states that recently completed MMIS procurements. In December 2003, sixteen States were selected to provide perspective and costs for the management, technical, and operations approach they took towards the development of their MMIS. With the help of FourThought Group, MAA coordinated the collection and analysis of the assessment States APDs and RFPs to generate a comparison and analysis of the approaches. The assessment provided a base of information that the project team is using to explain the options and provide procurement and DDI perspective and lessons learned.

The States selected for assessment had one or more of the following characteristics:

- The State has recently completed or is in the process of implementing a new or upgraded MMIS.
- The State has participated in a partnership arrangement with other States or claims processing entities to process Medicaid payments.
- The State has implemented a MMIS in the last 10 years and runs the MMIS operation using a fiscal agent (FA) or facilities management (FM) contractor.
- The State approach to the MMIS operation is to maintain and operate the system in-house.

- The State is in the planning stages for a re-procurement of their MMIS.

The collection and analysis of Assessment State information was completed in January 2004. With the results of the analysis, the MMIS Re-Procurement Project and FourThought Group developed a recommendation that DSHS move forward with a transfer and modification of an existing certified MMIS. This approach best fits the identified business needs, high-level and detailed requirements as well as DSHS goals for the modern MMIS.

3.2.1. States Assessment

To provide MAA with a full comparison of the Assessment States' approach to the development of the MMIS, a profile of the existing Washington MMIS environment was generated. Actual costs for the existing Washington MMIS maintenance and operation provide a base of information that can be compared to the planned and actual costs collected from the States. In addition to Washington, the following States were selected for assessment.

Assessment States

Assessment States					
Alaska	Arizona	Colorado	Delaware	Florida	Georgia
Hawaii	Idaho	Kentucky	Massachusetts	Minnesota	New Hampshire
New York	Ohio	Oklahoma	West Virginia		

Each of the Assessment States was contacted by phone and asked to walk through a set of general assessment questions. Once the initial interview was complete, a follow up email with a set of detail cost assessment questions was delivered to the State contact; along with a request to forward a copy of their MMIS APD and RFP to MAA Re-Procurement Coordinator.

3.3. General Requirements

Through its requirements analysis efforts DSHS identified and documented a series of general requirements for the modern MMIS. All of the requirements will be presented to CMS with the submission of the MMIS-Re-Procurement RFP.

The following categories of General requirements have been identified and will be fully outlined in the RFP:

- Desktop environment standards.
- Web development standards.
- System and user documentation, online help, and training standards.
- Security standards.
- Data retention standards.

- System and data auditing requirements.
- Error handling requirements.
- Database administration guidelines.
- Disaster recovery and business continuity requirements.
- System integration requirements.
- The Integrated Testing Facility requirements.
- Network connectivity requirements.
- General data interface requirements.
- Navigation requirements.
- User alerts standards and requirements.
- Ongoing HIPAA compliance requirements.

3.4. Federal Requirements

All State Medicaid programs are affected by new Federal mandates and updates to existing Federal standards. The Modern MMIS must meet all of the MMIS certification requirements under Part 11 of the State Medicaid Manual. To that end requirements have been identified to address the functional requirements the MMIS must support. These requirements will be presented to CMS within the MMIS Re-Procurement Project RFP. Specific requirements for the following major Federal mandates are also included in the RFP.

3.4.1. The Health Information Portability and Accountability Act of 1996.

Beginning in 2002 a HIPAA remediation effort was conducted by DSHS to bring the current MMIS into compliance with the HIPAA privacy, security, code sets, and Electronic Data Interchange regulations. Going forward the modern MMIS will continue to support the standards under HIPAA including updates to the regulations that have already been finalized and the more recent National Provider Identifier (NPI) regulation. The modern MMIS design will leverage the experience DDI contractor and State staff have gained through their remediation efforts and will support the ability to process internally HIPAA native transactions. In this way reliance on HIPAA translators and middleware will be diminished and the processing of HIPAA transactions will be streamlined.

3.4.2. CLIA, MSIS, Buy-in and Other Federal Requirements.

As a matter of course all Federal requirements under the relevant federal CFRs and the SMM will be supported by the modern MMIS. Under the RFP DSHS will require DDI contractor to possess full knowledge of the Medicaid data interfaces required to support the program. These will include supporting the Clinical Lab Improvement Act (CLIA) the Medicaid Statistical

Information System (MSIS) and the Medicare Buy-in data exchange. DDI contractor and the State staff will work closely to identify all data and interface needs to support the Federal mandates and to efficiently and effectively process this data.

3.5. Functional Requirements

Through its requirements analysis efforts DSHS identified and documented a series of functional requirements for the modern MMIS. Each of these functions will be validated against the proposed transfer system and areas that will require modification will be discussed. All of the requirements will be presented to CMS with the submission of the MMIS Re-Procurement RFP.

The following categories of functional requirements have been identified and will be fully outlined in the RFP:

- Client data and processing requirements.
- Provider data and processing requirements.
- Reference file data and processing requirements.
- Prior authorization data and processing requirements.
- Electronic claims management and electronic verification data and processing requirements.
- Claims data and processing requirements.
- Social services billing and payments data and processing requirements.
- Pharmacy Point of Service data and processing requirements.
- EPSDT data and processing requirements.
- Managed Care data and processing requirements.
- Work management data and processing requirements.
- Coordination of Benefits (COB)/Third Party Liability (TPL) data and processing requirements.
- Financial data and processing requirements.
- Quality management data and processing requirements.
- Drug rebate data and processing requirements.
- Data warehousing/informational retrieval requirements, including MAR and SUR reporting requirements.

- Contact/call center requirements.
- Integrated Voice response (IVR) requirements.
- Magnetically encoded client identification card requirements.
- System and user documentation requirements.
- Access, display and navigation requirements.
- Data retention, archival, retrieval and purge requirements.
- Notification and alerts requirements.
- Correspondence and electronic communication requirements.
- Imaging and document management requirements.
- Operations support requirements.
- Internet access for providers, health plans and clients requirements.

3.6. Data Warehouse and DSS Requirements

Through its requirements analysis efforts DSHS identified and documented data analysis and reporting requirements. The modern MMIS is expected to provide operations staff, data analysts, and DSHS management staff with a variety of reporting tools to support performance, outcomes, budget, fraud detection, and program planning queries.

DSHS staff expect to access Medicaid and non-Medicaid services data as well a full range of meta data to analyze and understand how best to establish program policy and support the financial needs of the programs. All of the Data Warehouse and DSS requirements will be presented to CMS with the submission of the MMIS Re-Procurement RFP.

The following categories of Data Warehouse and DSS requirements have been identified and will be fully outlined in the RFP:

- Data warehousing and data extract and retrieval requirements.
- Decision Support System (DSS) and Executive Information System (EIS) requirements.
- Management and Administrative Reporting (MAR).
- Surveillance and Utilization Review (SUR).

3.7. Phased MMIS Implementation

The aggressive project timeline and the priorities of DSHS dictate a phased implementation approach. At a high level, three phases of implementation are proposed.

1. All Medicaid programs and functions that are supported by the current MMIS. Phase 1 will result in a fully certified MMIS that supports all of the existing Medicaid programs. This phase will be complete by December 31, 2006. Phase 1 will result in a significantly enhanced Medicaid program and a much more effective MMIS. Much of the cost savings identified in Section 5, Cost Benefits Analysis, of this APD will be realized as a result of Phase 1.
2. Remaining Medicaid programs and functions that are supported outside of the current MMIS will be implemented in Phase 2 resulting in an improved ability to manage all Medicaid programs.
3. Remaining non-Medicaid programs that are similar in functionality to their Medicaid counterparts will be implemented in Phase 3. Combining Medicaid data with data from other health programs will significantly improve DSHS staff's ability to recommend changes to programs and policies and to leverage their knowledge to improve the use of State and Federal funding.

Overall, client outcomes, provider satisfaction, and the ability to respond quickly to management and legislative queries and mandates will be greatly improved.

Several, incremental implementations within each major implementation phase are likely where DSHS Cross Administration Team (CAT) members representing DSHS work units define which programs will be implemented when. During the Planning/Requirements Definition task, the CAT members will recommend criteria and incremental phases for approval by the Executive Steering Committee (ESC).

4. ALTERNATIVES CONSIDERATION

DSHS conducted an extensive analysis of possible procurement options. Four alternatives were identified and individually evaluated. The analysis included the strengths and risks of each alternative including the factors which contribute to these strengths and risks. A cost/benefit analysis was presented along with a ranking of the alternatives and the recommendation that was made as a result of the analysis.

4.1. Identification of Alternatives

Four major options were investigated to provide DSHS Executive Steering Committee and the MMIS Re-Procurement Project Management Team with a recommended approach to the development of the MMIS. These options include:

- Keep the Current MMIS
- Re-host the current MMIS with modifications
- Transfer a MMIS from another State with modifications
- Custom Develop a MMIS

Washington carefully considered the functionality it needs to determine which approach would be taken to develop the MMIS. Each of the four major options has strengths and risks and associated costs. To determine which option would best fit Washington's needs, DSHS analyzed which option best meets the business needs of DSHS and considered the cost/benefits of each. Using a profile of the existing MMIS operation, DSHS compared it with the approach other States have taken to implement and operate their MMIS. The Washington MMIS profile is based on actual costs and includes the major component parts of the current system. Based on the needs articulated through the requirements gathering efforts, Washington's MMIS must change in order to meet the goals of a more modern MMIS.

Washington currently operates the MMIS with the help of a facilities management contractor (ACS). The DSS contractor (HWT) also supports the current operation. Contracts with Morningside and First Data Bank exist to support the processing of claims and to manage daily operations. Each of these contracts plays a vital role in the operation of the current MMIS.

Keeping the current MMIS or re-hosting the current MMIS will not provide the level of functionality the Requirements Analysis efforts identified. The ability to leverage the system to process Medicaid transactions that are currently handled outside the MMIS, against common provider and client databases is also difficult with either of these approaches.

Both the Transfer/Modify and Custom Develop options can address the overall DSHS business needs. However, the analysis showed no States have recently implemented a custom developed, fully functional MMIS. Using the custom development method for a full MMIS implementation carries with it a high risk of missing certification requirements and may require additional time and increased costs to implement. The custom development option is more often used to implement improvements or distinct components of the MMIS after a full implementation

has taken place. For example, New Hampshire and Hawaii recently implemented changes to their Managed Care systems using this method. Therefore, the Transfer/Modify option is the selected approach to the procurement of a modern MMIS. Of the four (4) alternatives, the Transfer/Modify option is the lowest cost, lowest risk alternative that also meets the business needs and detailed requirements of the State.



RCW 42.17.310(1)(h)

Evaluation Criteria	DDI Options			
	Keep the Current MMIS	Re-host the Current MMIS	Transfer and Modify	Custom Develop
Meets Business Needs (800+ detailed requirements)				
Total estimated DDI cost ⁸				
Total Estimated annual operations cost				
Average DDI timeline				
MAA can assume responsibility				
Relatively attractive to vendors (scale 1-5) ⁹				
Improved service to clients and providers				
Administratively manageable				
Links accountability to responsibility				

⁸ Based on the results of the Assessment States analysis and review of the Washington MMIS environment.

⁹ Scale = 1, least attractive to vendors. 5, is most attractive to vendors.

[REDACTED]

RCW 42.17.310(1)(h)

[REDACTED]

RCW 42.17.310(1)(h)

[REDACTED]

RCW 42.17.310(1)(h) RCW 42.17.310(1)(h)

Cost Category	DDI Options – Costs			
	Keep the Current MMIS	Re-host the Current MMIS	Transfer and Modify	Custom Develop
State Staff and Equipment Cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Quality Assurance Contractor Cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contractor Staff and Equipment Cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total DDI Cost	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

A detailed analysis of each alternative is presented below.

4.2. Keep the current MMIS with modifications

This option assumes that the political climate and funding situation may limit the scope of the re-procurement. Although the current MMIS functionality is limited and a number of work-around processes are in place, the current system does perform a valuable service for some of DSHS Medicaid programs. Payments are generally being made to providers, and clients are being enrolled into appropriate managed care plans. Making changes to the MMIS is inevitable and is currently ongoing. Keeping the current MMIS would simply mean that the current problems and issues will remain, and the current backlog of change requests will continue to grow. The existing backlog of unresolved claims would remain. Continuing with the current MMIS also invites additional audit scrutiny. CMS is actively encouraging the State of Washington to procure a modern MMIS.

CMS has notified DSHS that no new contract extensions for the continued operation of the current MMIS will be accepted. For this reason and based on the changing requirements identified through the requirements gathering sessions, keeping the current MMIS is not a desirable option. However, there are both strengths and risks associated with this approach that may be considered.

The table below outlines the current Washington MMIS costs. [REDACTED]

[REDACTED]	RCW 42.17.310(1)(h)
[REDACTED]	RCW 42.17.310(1)(h)

Costs	<div>[REDACTED]</div> <div>RCW 42.17.310(1)(h)</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>[REDACTED]</div> <div>RCW 42.17.310(1)(h)</div>
Resources	Currently MAA has 2 work units in place to support the MMIS. Over 120 State staff work daily to perform operations tasks and to manage requests for data and CSRs. With this option the staffing levels will remain as they are today. Should DSHS or CMS require changes to the system, the backlog of CSRs may have to be addressed with a contract amendment with ACS.
Timeline	A Maintenance timeline will be required. The current maintenance schedule is not sufficient. No estimate for the completion of the current backlog of change requests is available.
Operational Organization	The operational organization that is currently in place is sufficient to maintain the current MMIS.

4.2.1. Keep the current MMIS Strengths

Keeping the current MMIS has the least amount of immediate impact on the current users of the MMIS. In the short term, no new business processes will need to be introduced. DSHS management has the option of postponing some and minimizing other proposed changes to the system. Additional strengths for this approach include:

- The current staff management and operation structure for the MMIS will stay in place.
- DSHS and contractor staff that are already familiar with the current MMIS will continue to perform their duties without the need for additional training or other intervention.
- Working together with CMS and providing acceptable justification, the maintenance contract with ACS may be extended, and therefore, minimize DDI costs. However, this is unlikely as CMS policy discourages on-going sole source contract extensions. Should a contract extension be needed in order to continue the operation of the existing MMIS while DDI is completed, MAA and ACS will need to negotiate the cost of the extension. As a result, the current operations costs may rise, making this strength more of a risk than a strength.

4.2.2. Keep the current MMIS Risks

A number of risks exist for this approach. Keeping the current MMIS only postpones the eventual need for a modern system. From a technology perspective the infrastructure for the current MMIS has already outlived its useful life. Hardware and software upgrades do not provide the same level of flexibility and improved performance that new mainframe, client server and web technology may bring. The following are additional risks:

- Lost opportunity of increased efficiencies, cost avoidance and cost savings realized due to implementation of a new MMIS.
- No improvements to the claims processing edits and claims resolution backlog would be realized.
- The backlog of change requests will remain. Today there are over 60 outstanding change requests. With the current system and maintenance project turnaround time, some of the change requests will simply not be completed. Other priorities will supersede earlier change requests before backlog items can be addressed.
- All of the work-around processes that exist today will continue to be needed. Improved efficiency will only be realized through continuous study and business process improvement efforts, or by relaxing some system edits.
- Identified requirements may not be addressed. The MMIS user community expects a modern MMIS will be implemented that will support all Medicaid programs across DSHS. Productivity may be reduced if users feel their time was wasted. A number of new and improved functions were identified during the requirements gathering sessions and requirements analysis. These new functions include:
 - The ability to process both Medicaid and non-Medicaid transactions through the MMIS.
 - Improved ability to detect fraud and abuse on the part of providers and clients.
 - Ability to use DSHS Single Provider ID numbers
 - Ability to use DSHS Single client ID numbers.

- The ability to process all Medicaid claims including non-medical claims.
 - The need for improved imaging and workflow technology to reduce paper claims processing delays.
 - Storage and access to denied claims history data.
 - Improved audit file access.
 - Continued HIPAA compliance in the area of systems security.
- The release of DSHS report Facing the Future: Supporting Each Other In The Coming Century and the public hearings held in 2002 have set the stage for increased expectations in the provider and client communities. Postponing the development of an improved MMIS may reduce the value of the study and reduce the community's confidence that DSHS heard their concerns.
 - CMS policy discourages on-going sole source contract extensions. Should a contract extension be needed in order to continue the operation of the existing MMIS while DDI is completed, MAA and ACS will need to negotiate the cost of the extension. With no competition, the current operations costs may rise.
 - CMS has guidelines in place that support regular assessments of the MMIS effectiveness in managing the Medicaid program. Due to the age of the current MMIS and its known limitations, CMS has encouraged the State of Washington to consider implementing a modern MMIS. CMS has the authority to review system performance at any time and to apply sanctions should unacceptable processing and errors be discovered.
 - In 2004 CMS plans to put a permanent auditor in place in Washington. While it is not likely, should the auditor discover errors CMS may consider revoking the certification of the current MMIS.

4.3. Re-host the current MMIS with modifications

This option assumes that the political climate and funding situation may limit the scope of the re-procurement. Re-hosting the current MMIS may alleviate some of the aging infrastructure issues that have been identified. These include:

- Resolution of performance and reliability issues. Today system downtime for maintenance purposes is a weekly occurrence. Re-hosting the MMIS will reduce system downtime and decrease the number of claims that must be re-submitted due to communications time-outs and processing time limitations.
- Faster LAN and WAN connections. Users are affected daily by the speed of the existing network and terminal emulation package in place today. Re-hosting the MMIS will mean upgrading the communications between PCs and the mainframe and improvements to the reliability of communications and file transfer processes.

Based on the changing requirements identified through the requirements gathering sessions, keeping the current MMIS, even with the potential efficiencies re-hosting the MMIS will bring, is not a desirable option. However, there are strengths and risks associated with this approach that may be considered.

RCW 42.17.310(l)(h)

Costs	<p>[REDACTED]</p> <p>[REDACTED] RCW 42.17.310(1)(h)</p> <p>[REDACTED]</p>
Resources	To manage the procurement and DDI for a takeover or re-host of the current MMIS DSHS will need the full Project Management and Project Office teams outlined in the MMIS Re-Procurement Planning APD. Once DDI tasks are complete the current operations resources will be transitioned to the new MMIS environment.
Timeline	12 to 18 months will be needed to complete the re-host DDI tasks.
Operational Organization	The operational organization that is currently in place may remain. However, additional system training will be needed. Additional staff may also be needed to perform operations oversight of the MMIS.

Re-hosting the current MMIS improves the reliability of the MMIS and minimizes the immediate impact on the current users of the system. In the short term, no new business processes will need to be introduced. DSHS management has the option of postponing some and minimizing other proposed changes to the system. Additional strengths for this approach include:

- The current staff management and operation structure for the MMIS will stay in place.
- DSHS and contractor staff that is already familiar with the current MMIS will continue to perform their duties. The need for training at a functional level may be avoided.

- State staff will have the opportunity to learn a new MMIS operating environment. This will increase the staff's ability to work with a more modern system and expose them to some new data processing tools and procedures.

Takeover contracts are generally used to periodically overhaul a modern MMIS. For example, since 1989 the State of Florida has used the takeover process every five years to replace its fiscal agent. Florida has been able to improve customer service and address a set of functionality issues with each takeover bid.

4.3.2. Re-host the MMIS Risks

Many of the same risks identified for keeping the current MMIS exist for this option as well. Re-hosting the current MMIS only postpones the eventual need for a modern system. Although the reliability of the system will improve, the limitations of the current system functionality will remain.

The following are additional risks:

- It is unlikely that releasing an RFP for the Re-hosting of the MMIS will draw the maximum number of bidders. Re-hosting and the takeover of an existing system usually carries the risk of unknown bugs and other potential problems that are known only to the incumbent contractor. The costs of a takeover contract may be higher in order to cover these risks.
- To increase the number of proposals submitted by contractors DSHS might need to specify that the winning bidder may be asked to develop major changes to the system without having to go through another competitive bid. Since this is not in line with State or CMS fair competition guidelines and may result in formal vendor protests, this option becomes even less desirable.
- CMS policy discourages on-going sole source contract extensions. Should a contract extension be needed in order to continue the operation of the existing MMIS while DDI is completed, MAA and ACS will need to negotiate the cost of the extension. As a result, the current operations costs may rise.
- The backlog of change requests will remain. The re-hosting effort will further delay maintenance projects that are already awaiting implementation.
- Many of the work-around processes that exist today will continue to be needed.
- Identified requirements may not be addressed. The MMIS user community expects a modern MMIS will be implemented. Productivity may be reduced if users feel their time was wasted. New and improved functions that were identified during the requirements gathering sessions and requirements analysis will not be realized.
- While re-hosting is expected to take considerably less time to complete than a typical transfer and modify effort, the end product addresses technical issues only and does not address many of the problems the current MMIS faces.

- The release of DSHS report Facing the Future: Supporting Each Other In The Coming Century and the public hearings held in 2002 have set the stage for increased expectations in the provider and client communities. Postponing the development of an improved MMIS may reduce the value of the study and reduce the community's confidence that DSHS heard their concerns.
- CMS will require that the new MMIS be certified in order to continue to receive Federal matching funds. Some of the functional limitations that exist today will have to be addressed as change orders in order to ensure full certification of the MMIS is achieved.
- In 2004 CMS plans to put a permanent auditor in place in Washington. While it is not likely, should the auditor discover errors CMS may consider revoking the certification of the current MMIS. This could result in the loss of 75% matching federal funds for the operation of the MMIS and the potential reduction of Federal Financial participation at the 50% level for claims payments.
- Moderate training programs for users and providers must be developed and delivered. The training may be limited to technical users and specific members of the provider community. For example, those providers who submit large batches of claims through clearinghouses or through online network links with the MMIS.
- While this re-host process produces improvements without the cost of a full re-design of the MMIS, over time technological advances and the need to respond to new mandates requires that a new MMIS be developed. Over the last decade the State of Florida has replaced their fiscal agent and upgraded their MMIS using this approach. Today however, like Washington, Florida is currently planning to procure a state of the art MMIS.

4.4. Transfer a MMIS from another State with modifications

To complete the Transfer/Modify option, Washington may select a vendor to transfer an existing MMIS from another state to use as a base for the Washington system. Since 90% of the cost of the development of the MMIS is supported by CMS, the application modules and file structures that make up the MMIS are considered to be in the public domain. States are encouraged to share the processes and data models they use within the MMIS with other States. Analysis of the assessment States revealed that several states had hired facility management contractors to implement the MMIS and then operated the system with State and contractor staff. Minnesota used this technique but phased out all contractors over time. Massachusetts used a fiscal agent approach for a number of years but then chose to operate the MMIS in house with the help of a number of contractors. This approach is similar to the approach Washington took when the current MMIS was put in place in 1982. A facilities management contractor was hired to transfer an existing MMIS and then provide ongoing maintenance support through a facilities management contract. State staff supports the day-to-day provider relations and claims processing functions, and work with the FM contractor to address changes to the system.

The number and scope of changes to address the unique needs of the Medicaid program is a key management factor in choosing the transfer and modify approach. Ideally less than 20% of a transfer system will need to be modified to meet State specific requirements. In New York, over 50% of the transfer system functions required modification. In Oklahoma, approximately

30% of the system functions required modification. It is important to carefully manage the level of customization to keep the overall cost and implementation timelines reasonable.

The analysis of the costs and other key elements of the transfer and modify option are shown in the table below.

[REDACTED]	
RCW 42.17.310(1)(h)	

[REDACTED]	
RCW 42.17.310(1)(h)	

Costs	[REDACTED]
Resources	To manage the procurement and DDI for a transfer and modify approach DSHS will need the full Project Management and Project Office teams outlined in the MMIS Re-Procurement Planning APD. Once DDI tasks are complete the current operations resources will be transitioned to the modern MMIS environment.
Timeline	24 to 30 months will be needed to complete DDI tasks.
Operational Organization	The operational organization that is currently in place may remain. However, additional system training will be needed. Additional staff may also be needed to perform operations oversight of the modern MMIS.

4.4.1. Transfer Strengths

Washington currently uses a facilities management contractor to provide system maintenance support for the MMIS. With the introduction of new technology and improved functionality that this approach brings, it is important to consider using the expertise a facility management contractor will bring to the project. The contractor's or staff's knowledge of the transfer system is a key strength to this approach. Other strengths include:

- With the freedom to propose a transfer system of their choice the contractor is more likely to accept the responsibility for meeting deadlines and the eventual certification of the MMIS.
- Vendors will generally propose the most modern MMIS available to them.
- Based on the project timeline all of the requirements identified by the users and the requirements analysis may be addressed by the new system.
- Estimates provided by the contractor may be expected to be more accurate based on their or their staff's knowledge of the transfer system.

- The contractor may be asked to provide user education and orientation to the system prior to making any modifications to the transfer MMIS. In this way users can review the business processes associated with the transfer system and decide if they can live with them or if changes will be needed.
- The transfer system may contain functionality that had not been available to the users in the past. Explaining the utility of these functions and making them available to users may save time and improve services to the providers and clients.
- The introduction of a transfer system allows for users to compare the current MMIS functionality with the functionality of the transfer system. With compatible processes identified, the amount of changes to address unique needs of the Washington Medicaid program may be minimized and the time needed to complete DDI could be reduced.
- More modern technology is expected to be part of the transfer system. For example, some systems offer client-server technology or web browser based user interfaces, as well as improved interface technology, and network compatibility. These technologies may reduce the time needed to train users and orient clients and providers to the system.
- The Contractor may be asked to introduce new system development methods and test tracking tools as part of DDI effort. Over time this will provide DSHS with shorter turnaround times for change requests.

4.4.2. Transfer Risks

[REDACTED]

RCW 42.17.310(1)(h)

[REDACTED] RCW 42.17.310(1)(h)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]

4.5. Custom Develop a MMIS

In the 1970s when the automated MMIS was first introduced and the guidelines for the development of the MMIS were centered on Fee For Service claims processing, many States developed their own in house system. Each State's MMIS was unique. In the late 1970s and throughout the 1980s and 1990s development contractors emerged to serve the MMIS industry. Many of these contractors remain as key players in the industry today. Each one has introduced a variety of innovations that are designed to fit the specific needs of their client States.

As these vendors have responded to other State's RFPs for new MMIS systems, they have either chosen or been instructed to propose a transfer system. The public domain status of MMIS applications as established by CMS encourages the transfer and modify approach. The introduction of the HIPAA Electronic Data Interchange (EDI) standards as well as modern development methodologies has continued to support the theory that cost benefits may be realized with the transfer and modify approach.

Through the 1990s and into this century more and more component parts of the MMIS have been added and made available to States. For example, some States have built separate data warehouses, managed care premium payments, and encounter data processing systems. Separate DSS and EIS components have also been developed. States may choose from a growing set of products that may be configured to work together. For example, imaging automation and workflow products have been developed as Commercial Off the Shelf (COTS) applications. Similarly some vendors have begun to develop data warehouse and pharmacy claims processing products that can be linked to the base MMIS rather than included within the base system. Even the Management and Administrative Reporting (MAR) system, long considered a basic component of the base MMIS, is now being developed separately from the rest of the MMIS by some States.

With the standards based mindset promoted by CMS, and the specific certification requirements that apply to all State's MMIS implementations, no State has proposed to custom develop their entire MMIS in many years. Instead States are beginning to look at combining and configuring the best of breed products available on the market to meet the CMS certification requirements and the unique needs of the State.

To meet the unique needs of the Washington Medicaid program some custom modification to the MMIS is expected. Rather than focus on the strengths and risks of a true custom development effort the requirements analysis focused on the strengths and risks associated with different levels of custom development Washington may consider.

The analysis of the costs and other key elements of custom development efforts Washington may consider are shown in the table below.

Costs	<div>RCW 42.17.310(1)(h)</div> <div>RCW 42.17.310(1)(h)</div> <div>RCW 42.17.310(1)(h)</div> <div>RCW 42.17.310(1)(h)</div>
Resources	The Hawaii and Arizona Partnership required two project managers and over 100 project office and development personnel to complete. No other resource information for custom developed component parts of the MMIS was offered by the assessment States.
Timeline	The timeline for a full MMIS implementation using the Custom Develop approach is not known. Based on the Hawaii and Arizona experience, 12 to 14 months would be needed to implement a major component of the MMIS such as the managed care or claims processing components. Since several component parts would need to be developed and integrated using this approach, and based on the scenario in New York, 60 to 80 months may be needed to implement a full custom developed MMIS.
Operational Organization	The operational organization that is currently in place may remain. However, additional project management skills may be needed to balance the integration of several custom developed components of the MMIS. Continuous attention will need to be paid to the integration of the component parts of the MMIS.

4.5.1. Custom Develop the MMIS Strengths

Washington may benefit from careful study of the potential transfer systems and Commercial Off the Shelf (COTS) applications on the market prior to choosing which systems to implement. Depending on the amount of business processes and technical solutions the MMIS users feel are unique to Washington, the level of custom development may be reduced. Choosing the transfer system that best fits the needs of the State and then conforming DSHS business

processes to that system may reduce the need for custom modifications. Other strengths include:

- Custom development ensures the closest fit to all of the MMIS user's specific requirements.
- Competition may be maximized if vendors with specific products may propose them without the responsibility for the configuration and eventual certification of the overall MMIS.
- Configuring component parts of the MMIS and managing separate procurements may allow DSHS to realize some benefits of the system early.
- Negotiating with CMS for separate certifications of the component parts of the MMIS may allow the State to receive Federal Financial Participation in a timelier manner.

4.5.2. Custom Develop the MMIS Risks

The Custom Development approach brings added pressure on the MMIS Re-Procurement Project Manager, and Project Office, to manage and coordinate the project. If no one contractor is responsible for the overall project, DSHS must take on the role of the General Contractor. This is not unprecedented. New Hampshire recently developed separate pharmacy benefit management, Managed Care, and MAR systems using separate vendors. These projects were procured separately and developed over the last four years. To succeed with this approach DSHS must be prepared to spend more time training managers and staff to perform oversight duties rather than specific program or systems development tasks. Other risks include:

- State staff would be relied upon to articulate all federal MMIS certification requirements. Additional time may be needed to educate State staff relative to these requirements.
- The time needed to custom build a modern MMIS may be prohibitive.
- Time must be taken to evaluate the proposed MMIS components and identify areas of the system where modification is required to meet DSHS needs.
- Contractors often assume that State staff will accept the majority of the business and systems functions in a proposed component solution without modification. Users often assume that they have the time and money to make any and all changes they feel are needed to meet the needs of the State. These opposite points of view must be addressed and mitigated prior to beginning system construction.
- The contractor does not assign staff to the project that truly knows the strengths and limitations of their products. Often, a small core set of the contractor's staff has the detailed expertise needed to judge whether functionality will meet the needs of the State or if modifications are needed. The core staff is not always available to focus on a specific State's implementation.
- State staff are not provided with enough time to learn the new system and to understand how functional components may fit together. Due to a lack of understanding of the

alternative procedures the system offers, State staff fall back on old ways and require the contractor to develop modifications that fit the procedures and processes they were used to in the old MMIS.

- Neither State staff nor contractor staff is familiar enough with the interface requirements of the Modern MMIS. Spending time with the people responsible for the ACES, AFRS and other system interfaces is critical to reducing the amount of custom changes that will be required for these interfaces.
- The technology infrastructure used by one developer may not be compatible with another developer's components. Extensive testing must be planned into the DDI schedule to make sure the infrastructure and the applications can work together.
- The system may not include important business functions that DSHS needs. Identifying these functions must happen early in the project or the contractor may consider them to be change requests.
- Extensive training for users and providers must be developed and delivered.

4.6. DSHS Approach

After careful analysis of the options and estimated costs of DDI effort, Washington has selected the **Transfer and Modify** option. This option represents the least costly, least risky option that also meets the business needs identified in Section 2 above.

In selecting the Transfer and Modify option Washington took into account the magnitude of the change the modern MMIS represents. All of the administrations within DSHS are affected by the MMIS operation. Health Plans, the Office of the State Treasurer, the Office of the Attorney General, CMS, service providers, and Medicaid clients are also affected. The ability to respond to inquiries from the DSHS Office of the Secretary, the State Legislature and the ISB must be improved. The availability of knowledgeable users and their readiness to learn a new MMIS environment is a challenge. Through effective management, this magnitude of change can be addressed while meeting DSHS long-term business needs through a modern MMIS.

The other three DDI options were also carefully considered:

- The 'Keep the Current MMIS' option was rejected because the current system does not support all of the business needs of DSHS, including the more than 800 detailed requirements identified during the Requirements Analysis effort. There is also a risk of CMS applying sanctions against DSHS if the MMIS is not re-procured and functional improvements realized. Re-Procuring the maintenance contract of the current system also is likely to attract only one vendor, the incumbent, and does not meet the spirit of a competitive re-procurement process.
- The 'Re-host the current MMIS with modifications' option was rejected because even with the technical improvements a new platform may provide, the existing application does not meet the business needs of DSHS, including the more than 800 detailed requirements identified during the Requirements Analysis effort. Few if any vendors are anticipated to bid on the 'Re-host' option because of perceived risks of an unknown

system. With few if any vendors responding, this option does not meet the spirit of a competitive process either.

- The 'Custom Develop a MMIS' option was rejected because this option would require a larger commitment of DSHS management time to coordinate multiple contactors. This option would also require the project team staff to bring all CMS certification requirements to the requirements verification sessions. In addition, the assessment States analysis showed that no recent precedent exists for implanting a custom development of a full MMIS. Based on the results of the Assessment States analysis, the costs, timeline and risks for custom development are prohibitive.

5. COST BENEFIT ANALYSIS

DSHS expects to realize a number of tangible and intangible benefits from the implementation of the modern MMIS. The table below summarizes the potential benefits based on a study of the requirements analysis results. These benefits may be set out as goals for the procurement effort. Both the State and DDI contractor teams will have to work together towards the realization of these benefits. By identifying these benefits within the APD and integrating these goals as measurable deliverables within the RFP, these benefits may be realized.

5.1. Major Benefits

5.1.1. Staffing

Several benefits may be achieved through the more efficient use of personnel resources resulting in eventual cost reductions. Many State staff members are approaching retirement age. Less experienced staff are being relied upon to continue the administration of the program and to find more efficient ways to operate the MMIS. The same amount of work must be produced with less staff, many of which are learning new responsibilities along the way. The improved technology of the modern MMIS along with a shift of some responsibilities across DSHS Administrations will result in the Medicaid program functions being accomplished with a higher level of efficiency and quality.

5.1.2. Ease of implementing policy changes

Through the timely implementation of policy and reimbursement changes, Washington may realize significant savings by reducing the amount of time an overly expensive policy is in place. Some states have been able to reduce their deficits in this way. Although Washington State may not need to make radical changes to the current Medicaid program, the ability to leverage the MMIS to process claims and payment transactions for State funded healthcare programs may eventually eliminate the need for duplicate transaction processing systems and increase the efficiency of the Medicaid and MMIS operations.

5.1.3. Utilization Monitoring

DSHS already has a very aggressive utilization-monitoring program. Through improved technology, this program can be improved even further. Although this will result in program savings, it is difficult to estimate the benefit that may be realized.

5.1.4. On-line updateable tables

Currently a number of paper based manual processes are used to update provider and reference files:

- Provider files are updated on a State-operated system in a batch mode. The Modern MMIS will allow direct on-line updates to be made to the provider file, which will be immediately accessible by the claims/encounter processing components of the system.

- Provider rate files are created by a number of rate-setting agencies, some of which have automated systems and some that do not. The provider rate file is manually updated through information provided by each rate-setting agency. The modern MMIS will have automated interfaces with rate-setting systems and will offer on-line updating to agencies that do not have automated systems.
- The drug file update process currently requires some manual review and keying of data into the MMIS. The new drug file update process will load drug file information automatically and allow Administration staff to review and update the files by exception rather than having to touch every entry in the reference file. In this way the drug file will be updated automatically based on criteria that is pre-determined by MAA and its sister Administrations.
- The modern MMIS will allow State staff with the proper security permissions to update the procedure and diagnosis files through both automated and on-line processes. Automated audit trails that show the date, time, and user ID, before image, and after image for each update will be available to auditors to ensure accuracy.

The Department expects that automated/on-line updating functions may save much staff time, allowing the Department to redeploy the staff time currently used for updating files, to perform more monitoring and system integrity functions.

5.2. Additional Benefits

A number of tangible and intangible benefits that will be realized with the implementation of the modern MMIS have been identified. The following tables list and describe additional potential benefits of the modern MMIS.

Measuring or quantifying anticipated benefits is difficult. Although expected benefits of a new MMIS are tremendous, the exact increase in fraud detection or improved program efficiencies, for example, is difficult to measure. However, the MMIS Re-Procurement Project has estimated benefits of automating current highly manual processes, with the assumption that staff can be re-deployed to provide better customer service to providers and clients, improved utilization review, enhanced program management and greater cost avoidance. A conservative estimate of the minimum, realistic and achievable benefits over the full contract term (8 years) is identified below.

MMIS Cost Benefit Analysis – Minimum, Realistic and Achievable Benefits

No	Benefit Area	Description of Benefits	Est. Benefits (8 year period) ¹⁰	Value Added Staff Function ¹¹
1	Cost Avoidance	<p>Improvements in pre-payment audits and edits and in Third Party Liability (TPL) cost avoidance.</p> <p>Improved payment integrity due to consolidated Medicaid data.</p> <p>More accurate claims payment due to improved authorization management.</p>	<p>[REDACTED]</p> <p>RCW 42.17.310(l)(h)</p>	<p>More sophisticated fraud detection and abuse activities.</p> <p>Expanded eligibility verification for 3rd party payers.</p>
2	Customer Service Benefits	<p>Reduce hold and call time from Providers and Clients by automatically populating screen with caller information.</p> <p>Give Providers and Clients access to on-line enrollment and demographic updates.</p> <p>Reduce hold times in Prior Authorization (PA) by maintaining historical data on-line.</p>	<p>[REDACTED]</p> <p>RCW 42.17.310(l)(h)</p>	<p>Increased call center capacity, reducing hold times and caller hang-ups.</p> <p>Improved customer service to providers and clients.</p>
3	Operations Benefits	<p>Enhanced interfaces (e.g., with ACES, AFRS) to improve accuracy of eligibility data and financial reporting.</p> <p>More accurate, efficient and responsive reporting.</p> <p>Easier modifications and maintenance through on-line updateable tables.</p> <p>Improved Scanning/Optical Character Recognition</p>	<p>[REDACTED]</p> <p>RCW 42.17.310(l)(h)</p>	<p>Manage a sophisticated test environment.</p> <p>Respond to data analysis/ Executive Information System (EIS) requests.</p> <p>Work back-end claim adjudication process.</p> <p>Perform quality control reviews of scanned hard copy</p>

¹⁰ Like the cost estimates in Section 10, benefits are estimated for an 8-year period (assumes 5 year contract with 3, 1-year options)

¹¹ Rather than expend time on rudimentary activities, these benefits will free up staff to concentrate on more effective Medicaid program management.

No	Benefit Area	Description of Benefits	Est. Benefits (8 year period) ¹⁰	Value Added Staff Function ¹¹
		(OCR). Reduction in claims backlog. Improved audits/edits and less manual work-arounds.		claims. Address claim backlog and more proactive analysis of policy changes.
4	Program Benefits	Ease in implementing policy changes. Improved capability in monitoring fee-for-service and managed care. Improved drug utilization review. Improved flexibility and ability to respond to change.	<div></div> RCW 42.17.310(1)(h)	Manage and implement the preferred drug list. Improve program management analysis.
		Total Benefits:	<div></div>	

Note: The above benefits are conservative, representing DSHS's estimate of the minimum, realistic, and achievable benefits through implementation of a new MMIS. Additional tangible and intangible benefits are presented below.

MMIS Cost Benefit Analysis – Tangible and Intangible Benefits

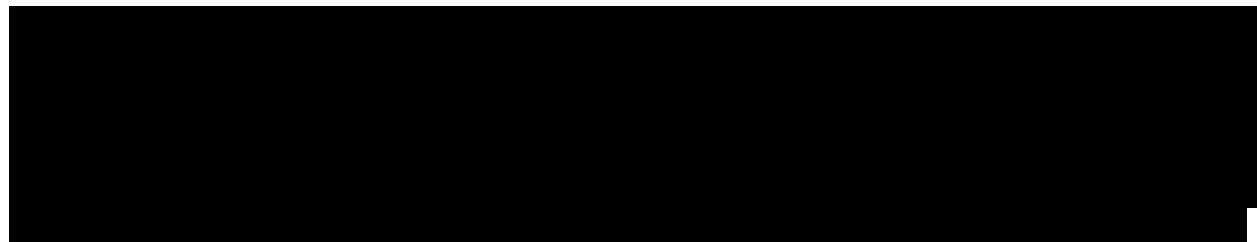
No	Benefit Area	Tangible Benefits	Intangible Benefits
Reductions in Mis-payments			
5	Prepayment edits	Program benefits from added sophistication in identifying improper or fraudulent billing practices, payment restrictions, and duplicate claims.	
6	Improvements in TPL cost avoidance	Cost benefits resulting from improved prepayment editing of claims in which clients have third party coverage.	
7	Improved prior authorization management	Increased precision in prior authorization functionality during claims processing resulting in more accurate claims payment, reduction in mis-payments for non-authorized services, and fewer improper claim rejections.	
Operations Benefits			
8	Improved interfaces with other State systems	Shared information to prevent payment of inappropriate costs and to ensure payment of appropriate benefits.	Capability to obtain timely data for services management and information retrieval.
9	Improved information management	More efficient reporting capabilities and technology, reducing the programmer requirement for ad hoc reporting.	Better information for program and operational management.
10	More efficient maintenance and evolution	Modern technology, which makes changes and ongoing maintenance more efficient and less costly. Potential for a single client ID protocol and a single provider ID protocol.	Ease of making system modifications, which makes the system more responsive to program and policy changes.
11	Online updateable tables	Reduced manual effort to update system tables and to make edit disposition, pricing, and edit/audit criteria more timely.	Better audit trails of updates to evaluate how claims were processed.

No	Benefit Area	Tangible Benefits	Intangible Benefits
Program Benefits			
12	Ease of implementing policy changes	Benefits resulting from improved ease of implementing State policy and reimbursement savings.	Improved system responsiveness to program growth and change.
13	Utilization monitoring	Improved capabilities to monitor utilization, which allow the State to develop additional edits and apply other cost benefits, measures where needed.	Improved availability of utilization information that allows the State to more effectively manage the program.
14	Managed Care	Improved system capabilities, which allow the State to aggressively pursue, managed care alternatives to reduce program cost.	Improved capabilities of the system that allow the State to monitor quality of care in a managed care setting.
15	Drug Utilization Review	DUR results in savings through the reduction of inappropriate dispensing of drugs to clients.	Allows the State to monitor drug utilization and encourages provider awareness and self-review.
Administrative Benefits			
16	Operations	Increased automation and easier access to data creating efficiencies that improve operations.	Improved use of State staff by shift of certain tasks from manual to automated.
17	Staffing	More efficient use of personnel resources resulting in eventual cost reductions.	Improved State employee morale through increased information availability and system capabilities.
18.	Reporting	Earlier and more concise identification focus on problem areas for proactive attention.	Improved ability of the State to forecast and monitor program expenditures and utilization and to develop program policies.

5.3. Cost Summary

The estimated total costs for the DDI options presented in Section 4 are as follows: [RCW 42.17.310\(1\)\(h\)](#)

Cost Category	DDI Options – Costs			
	Keep the Current MMIS	Re-host the Current MMIS	Transfer and Modify	Custom Develop
State Staff and Equipment Cost	████	██████████	██████████	██████████
Quality Assurance Contractor Cost	████	██████████	██████████	██████████
Contractor Staff and Equipment Cost	████	██████████	██████████	██████████
Total DDI Cost	████	██████████	██████████	██████████



The estimated DDI costs by project phase are summarized below: [RCW 42.17.310\(1\)\(h\)](#)

Phase	Total Funding Amount
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[RCW 42.17.310\(1\)\(h\)](#)

6. DESCRIPTION OF ACTIVITIES

6.1. Major Milestones

Planning, building, and implementing a modern MMIS is a complicated process. There are a number of project impacts that are already being felt by most of the Administrations across DSHS.

- The project team must complete acquisition activities, including RFP and APD development, proposal evaluation and contract negotiation to address all of DSHS business needs.
- The users of the current MMIS and other payment systems that process Medicaid payments currently must be educated and provided with background information about the possible design options. Every user must be trained to use the modern MMIS.
- The provider community and the client community, through their participation in DSHS 'Facing the Future' forums, have a level of expectation about the next steps Washington may take to address rising healthcare costs. These interest groups want a say in the design and administration of the systems that support the State's healthcare programs.
- The project team must understand the current state and future state business processes of multiple users and many Medicaid programs across DSHS.
- The project team must define implementation criteria and phases to ensure a manageable and successful production cutover across DSHS.
- The project team must coordinate an exit strategy with providers, users and other systems as provider's transition from the current MMIS and other payment systems to the modern MMIS.
- The project team must coordinate with other State agencies to identify mutual opportunities, common interests and manage expectations.

6.1.1. Planning/Requirements Definition

MAA has the responsibility for managing the MMIS Re-Procurement Project and has taken a number of steps to complete the Planning and Requirements Definition process. Activities during this process identified, at a high level, three phases of implementation:

1. All Medicaid programs and functions that are supported by the current MMIS.
2. Medicaid programs and functions that are supported outside of the current MMIS.
3. Similar non-Medicaid programs and functions that do not require additional system development/customization to support.

Within each high-level phase, incremental, smaller implementations by program(s) are likely where DSHS Cross Administration Team (CAT) members representing DSHS work units define

each incremental phase. During the Planning/Requirements Definition task, the CAT members will recommend criteria and phases for approval by the Executive Steering Committee (ESC).

Additional staff may be required to work with the project office and the CAT members as the MMIS Re-Procurement Project progresses. The following table outlines the goal of the Planning/Requirements Definition task and the detail tasks and exit criteria needed to complete the task and achieve this milestone.

Planning/Requirements Definition Milestone

Goal	Assign the State and outside resources needed to staff the MMIS Re-Procurement Project and to manage the procurement of a modern MMIS. Define the requirements of the modern MMIS.
Resources	DSHS Executive Sponsor, Executive Steering Committee, Project Management Team, CAT team, MAA Business team, Project Office team, Requirements Definition Vendor, and Quality Assurance Vendor.
Detail Tasks	<p>Name an Executive Sponsor.</p> <p>Form an Executive Steering Committee.</p> <p>Appoint a Project Manager and supporting team.</p> <p>Form a Cross Administration Team (CAT).</p> <p>Hire consultants to facilitate the gathering of functional requirements and to outline technology recommendations.</p> <p>Hire consultants to perform quality assurance tasks.</p> <p>Hold meetings and JAD sessions to define requirements. Over 200 people from across DSHS and outside entities have attended meetings to define system requirements and to gather knowledge about the possible MMIS solutions available.</p> <p>Consult with the EAP management team regularly on issues that impact system architecture across DSHS.</p> <p>Develop a detailed work plan through the beginning of DDI.</p> <p>Define and assign Project Office resources.</p>
Exit Criteria	The Planning/Requirements Definition phase is complete when requirements are complete and documented; and the project receives DSHS executive, ISB, and CMS approvals to proceed.

6.1.2. Procurement

With appropriate State and Federal approvals to move forward, the project will proceed with procurement activities.

Procurement Milestone

Goal	Select a DDI contractor through a highly competitive bidding process that invites the maximum number of MMIS vendors to participate.
Resources	Project Management Team, CAT team, MAA Business team, Requirements Definition Vendor, Quality Assurance Vendor, DDI contractor.
Detail Tasks	<p>Develop the Investment Plan required by the ISB.</p> <p>Develop the APD required under CMS regulations.</p> <p>Hire consultants to facilitate the contracting process.</p> <p>Develop the RFP required by CMS and State procurement regulations.</p> <p>Develop the Proposal Evaluation Plan (PEP) required under Part 11 of the State Medicaid Manual.</p> <p>Receive DSHS management, ISB, and CMS approval of the acquisition documents.</p> <p>Release the RFP to the Vendor community.</p> <p>Receive and evaluate DDI contractor proposals.</p> <p>Select an apparently successful DDI contractor.</p> <p>Negotiate a contract.</p> <p>Receive CMS and state approval of the contract.</p> <p>Hire consultants to facilitate BPR.</p> <p>Update the Implementation APD to reflect the vendor's proposed costs.</p> <p>Update the State Supplemental Budget Request to reflect the MMIS vendor's contract costs.</p>
Exit Criteria	A MMIS DDI contractor is chosen, a contract is approved and executed and the contractor's approach to building the MMIS is accepted by DSHS.

6.1.3. Design

When the design task begins the MMIS DDI contractor will spend time verifying the requirements in the RFP and working with the users to determine how the proposed solution will best fit the needs of the MMIS user community. Many of the same staff that spent time defining requirements for the RFP will participate during design to learn about the proposed solution and hone the requirements to a more detailed level. The Project Office and CAT members will spend much of their time working with the developers and reviewing the results of design meetings. Managers and staff from other administrations will play a vital role in designing interface programs between the MMIS and other systems such as ACES, AFRS, and other DSHS applications.

The design task has a large impact on the operations of the existing MMIS and DSHS programs that are in place today. Keeping the existing DSHS operation up and running while the modern MMIS is designed, means backfilling key staff positions, setting and re-setting work priorities, defining new business processes, and a commitment to a tight schedule.

Design Milestone

Goal	Verify all DSHS requirements and identify where modifications will be needed to the transfer system. Educate DSHS staff as to the functionality of the system and produce detailed design documents.
Resources	DSHS Executive Sponsor, Executive Steering Committee, Project Management Team CAT team, MAA Business team, Project Office staff, Quality Assurance (QA) contractor, DDI contractor.
Detail Tasks	<p>Conduct requirements verification meetings and work sessions.</p> <p>Present business process and system functionality supported by the transfer MMIS to DSHS users.</p> <p>Establish a change control database and change management procedures. Assign staff to manage the change control process. Establish a change control meeting schedule.</p> <p>Identify areas where modifications to the system must be made to meet DSHS requirements.</p> <p>Identify change requests that must be implemented in the current system prior to the implementation of the contractor's Proposed Solution. Determine how these changes will be integrated into the MMIS design.</p> <p>Produce detailed technical design documents that describe the source data, input screens, processes, detail program specifications, and output of the MMIS.</p> <p>Conduct DSHS review of design documents and approve the MMIS design.</p> <p>Establish Future State business processes.</p> <p>Establish the testing environment and install the Integrated Test Facility.</p>

Exit Criteria	Design is complete when the project office has reviewed the technical design documents and CAT members and the MMIS Re-Procurement Project Manager approve the Design Phase deliverables.
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6.1.4. Development/Testing

The Development/testing task includes the actual construction of computer programs and screens that will be used to enroll providers, verify client eligibility, process service authorizations, accept and process claims, make managed care premium payments, identify other insurance and generate warrants to pay providers. Unit, system and integration testing is performed during this phase as well. A similar level of effort from the project team and CAT members as in Design is needed to complete the Development/Testing task.

The Project Management Team and the QA vendor play a vital role in tracking the amount of resources and time that is put into the Development/Testing task. During this time, regular DDI status reports must be sent on to CMS so they may monitor the progress of the project. During development, DDI contractor staff regularly interacts with State staff to deal with questions and to outline the processes and data that will be used to test the system.

Development/Testing Milestone

Goal	Generate the program code modules that will be used to build the components of the modern MMIS. Prepare for the conversion of historical data and deliver the user interface, data processing, and reporting functions of the modern MMIS.
Resources	DSHS Executive Sponsor, Executive Steering Committee, Project Management Team CAT team, MAA Business team, Project Office staff, QA, resources, DDI contractor.
Detail Tasks	<p>Develop and unit test the component modules of the MMIS according to the technical design documents.</p> <p>Develop system integration test plans and test data.</p> <p>Conduct a DSHS review of test plans and expected results.</p> <p>Prepare the system integration and UAT test environments.</p> <p>Prepare and execute system integration tests of major portions of the MMIS.</p> <p>Prepare history data conversion plans.</p> <p>Conduct a DSHS review of the conversion plans and approve the conversion plans.</p> <p>Conduct walkthroughs of program logic and processing functions with DDI contractor and project office staff.</p> <p>Develop and execute data conversion programs.</p> <p>Execute a full system integration test.</p> <p>Review test results and track bugs.</p>

	<p>Deliver final System Integration Test results for DSHS review and approval.</p> <p>Conduct a DSHS review of the system integration test results and approve the results.</p>
Exit Criteria	Development is complete when all of the conversion and system integration test plans, and test results have been reviewed by the Project Office and CAT members, and the MMIS Re-Procurement Project Manager approves the development deliverables.

6.1.5. Implementation/User Acceptance Testing (UAT)

The implementation task involves critical transition and training activities, including completion of User Acceptance Testing (UAT). The MMIS DDI Contractor must formally notify the State that the MMIS is ready for production and the State must be satisfied that the users, providers, and Medicaid clients have been sufficiently prepared to use the modern MMIS. Managers and staff across DSHS as well as stakeholders from outside entities begin to use the modern MMIS and the impact of the change is realized.

Implementation/UAT Milestone

Goal	Finalize the development, acceptance testing, user training, and production cutover schedule for the modern MMIS. Place the completed MMIS into its production environment.
Resources	DSHS Executive Sponsor, Executive Steering Committee, Project Management Team CAT team, MAA Business team, Project Office staff, QA resources, DDI contractor.
Detail Tasks	<p>Finalize Future State business processes.</p> <p>Prepare DSHS UAT plans.</p> <p>Prepare UAT test data and expected results.</p> <p>Execute UAT plans and review test results.</p> <p>Review test results and track bugs.</p> <p>Schedule and conduct user training.</p> <p>Schedule and conduct client and constituent notice activities.</p> <p>Schedule and conduct provider training.</p> <p>Deliver final UAT results for DSHS review and approval.</p> <p>Choose a go-live date.</p> <p>Prepare a production cutover plan.</p> <p>Deliver the production system.</p>

	Execute the production cutover plan. Obtain DDI contractor and DSHS signoff of the implementation of the modern MMIS.
Exit Criteria	Implementation is complete once State signoff is provided and the system has been running for 90 days.

6.2. Project Oversight and Administration

A combination of State and contractor resources will be involved with project oversight and day to day management of the MMIS Re-Procurement Project. The MMIS Re-Procurement Project Manager is responsible to serve as the contractor's point of contact and to ensure coordination all project activities.

6.2.1. Oversight/Monitoring

Six distinct oversight organizations will be receiving regular reports of the status of the MMIS DDI. These organizations have a clear stake in the success of the project. Each plays an important role in making sure the modern MMIS meets both Federal and State regulations and that the MMIS is procured, developed, and implemented within the planned time frame and expected cost. The oversight organizations include:

- CMS Region X staff have worked closely with DSHS project team to plan for the procurement and DDI of the MMIS. Review and approval of the Planning APD, Implementation APD, and the MMIS RFP is required to move forward with the project. CMS also requires quarterly reports of the status of DDI. The Region X CMS office will scrutinize the Design and Implementation Schedule regularly. Once the system has gone live, a combination of Region X and CMS central office staff will conduct a certification review of the modern MMIS.
- The Washington State Division of Information Systems (DIS) Information Services Board (ISB) and its Core Systems panel require a Requirements Analysis Report (RAR) and Investment Plan to be submitted for ISB approval prior to procuring a MMIS vendor. Formal presentation of the RAR and Investment Plan is required and regular status updates as to the schedule and cost of the project may be requested. The quarterly status reports will be available for review by the ISB and additional status information, should it be requested, will be made available.
- The Office of Financial Management (OFM) requires that a financial analysis of all large IT projects be conducted and delivered for review and approval. The OFM study outlines the budget and funding sources (including CMS) that will be drawn from to pay for DDI and ongoing operation of the MMIS. The quarterly status reports will be available for review by the OFM.
- The Washington State Legislature plays a critical role in the planning and funding of the modern MMIS. Washington's policy makers and legislative staff require access to Executive Information System (EIS) data from the MMIS and will be consulted regularly on system needs and requirements. These decision makers also will be kept informed of

project status through regular status reports and updates, and ultimately, they have authority on budget approval.

- DSHS Chief Information Officer (CIO) advises the Office of the Secretary on the status and viability of all large DSHS IT projects. As such, the CIO through ISSD staff ensures State IT standards are met. ISSD also plays an important role in coordinating the involvement of DSHS Administrations' IT Directors. The ISSD panel of IT Directors meets regularly to review the progress of major systems initiatives.

Each of the IT Directors has already committed a number of their staff to the planning and requirements definition efforts of the MMIS Re-Procurement Project. As the project progresses the IT Directors will continue to stay involved to ensure the impact of the modern MMIS on existing systems and business processes is understood and that any change to existing systems to take advantage of new MMIS functionality is coordinated to meet the MMIS implementation schedule.

- Sterling Associates Incorporated, an independent quality assurance consulting company has been selected through competitive bid to provide the MMIS Re-Procurement Project Team with quality assurance services and advice.

6.2.2. Administration

The Facilities Management contract approach keeps the project office and the existing MMIS Services work group close to the detail workings of the MMIS. Having State staff with both program and technical skills close to the MMIS is an effective way to help control the timeline and cost of DDI effort. This is especially important when managing changes to the design of the modern MMIS.

The MMIS-Re-Procurement Project Office headed by the Project Manager is already in place. The project management contract with Olympic Consulting Group continues through December 31, 2006 to ensure the administration of the project remains consistent. At the beginning of each of their contracts DDI contractor, QA contractor, and BPR Team will meet with the MMIS Re-Procurement Project Team, to establish and finalize procedures for the following:

- Correspondence tracking.
- Issue tracking and escalation procedures.
- Requirements tracking.
- Change control.
- Status meeting schedule, agenda requirements, and procedures.
- Status report schedule, format, and delivery procedures.
- Deliverable review procedures.
- Entrance and exit criteria.
- Work Plan review and action plan procedures.

Models for each of these administration items will be developed by the QA contractor and presented to the project team to streamline the discussion and reach consensus on how these procedures and events will be managed. The MMIS Re-Procurement Project Manager is responsible for holding all contractor management staff accountable to following these agreed upon procedures and to ensure that State staff comply.

6.3. Roles and Responsibilities

Each entity involved with the MMIS Re-Procurement Project plays a major role in completing the project successfully. Each entity and their major roles are identified here. Additional detail relative to the project management roles and responsibilities that will be carried out by State staff are outlined in section 8, Personnel Statement and Project Management, of this APD.

6.3.1. DSHS and other State Resources

Washington recognizes that the success of this project lies with the people who are entrusted to manage the State and contractor staff. The State has established a sound organizational structure and management plan to oversee the procurement of a modern MMIS. State staff will perform the following:

- Monitor the DDI contractor's progress.
- Monitor the QA contractor's schedule and deliverables.
- Monitor the BPR Team's schedule and deliverables.
- Provide WA specific information of requirements.
- Oversee the day-to-day management of the Project Office and contractor(s) to make sure the delivered MMIS meets the goals and objectives of DSHS.
- Identify and mitigate risk.

6.3.2. DDI and Facilities Management Contractor

DDI-FM contractor will have two primary roles in the project:

1. Design, development, and installation of the modern Medicaid System through the transfer of existing systems or system components and modification of those components to meet Washington State's requirements.
 - Provide the proper skill sets and staff levels to complete the project on schedule.
 - Establish and support the Integrated Test Facility. Ensure the quality of all work products.
 - Provide timely status reports and other materials to ensure compliance with all Federal regulations and secure CMS certification of the modern MMIS.
 - Manage risk.
2. Maintenance of the modern Medicaid System in support of the Washington State Medicaid program and other similar non-Medicaid programs, including evolution of the system to meet the dynamic requirements of the program.

- Timely and accurate estimates for all change requests.
- Sufficient resources and staff to meet maintenance schedules as determined by DSHS.
- Support the technical and development environment needed to allow for the development and 'what if' testing of new Medicaid initiatives.

6.3.3. QA Contractor

- Provide independent, third party assessment of the project.
- Participate in status meetings.
- Identify project risks and recommended mitigation strategies.
- Monitor and report overall performance and status of the project to the MMIS Re-Procurement Project Manager, and Executive Sponsor.

6.3.4. BPR Contractor

- Train state resources to perform an independent assessment of the Current State of the Medicaid operation business processes.
- Assist state resources to document the Current State Medicaid operation business processes.
- Mentor state resources to provide analysis and recommendations for the Future State Medicaid operation business processes.
- Guide state resources to document the Future State Medicaid Operation business processes.
- Participate in status meetings.
- Identify risks and recommended mitigation strategies.
- Monitor and report progress to the MMIS Re-Procurement Project Manager.

6.4. Project Work Plan

Planning for, identifying, and reducing risk at various times during the MMIS Re-Procurement Project will help to keep the project on schedule and within budget. The MMIS Re-Procurement Project Office has continuously maintained a project work plan, using Microsoft Project, to track the tasks needed to define requirements, produce the APD and RFP, secure State and CMS approvals of acquisition documents, and to plan DDI tasks. DSHS will insist that DDI contractor maintain and present a detailed work plan on a bi-weekly basis. Protocol for setting the work plan base line dates and updating the work plan will be established before work begins. The work plan will provide the basis for the Detailed Implementation Schedule and in addition to

status reports and presentation materials will provide stakeholders with a complete picture of the status of the project.

State and contractor staff will meet weekly to review and discuss the work plan and project status. As each major milestone is reached the work plan will be updated and the tasks needed to reach the next milestone will be finalized.

Refer to Appendix A for the current work plan for the MMIS Re-Procurement Project.

7. PROPOSED ACTIVITY SCHEDULE

The Planned Washington Procurement and DDI Activity Schedule lists the major activities and associated timeframes for developing and implementing the modern MMIS. The activity schedule includes the major phases and target dates to ensure adequate time for the key tasks and includes State and Federal review of all planning and procurement documents.

7.1. Procurement, Implementation, and Operation Timeframe

The following table shows the proposed time line for the procurement tasks, as well as the Design, Development, and Implementation tasks for the modern MMIS. The time frames outlined here are estimates based on goals MAA has established.

Task	Description	Planned Start Date	Planned End Date
1.	WA MMIS Re-Procurement	2/3/2003	12/30/2012
Planning & Requirements Analysis			
1.1.	Planning/Requirements Definition	2/3/2003	2/27/2004
1.1.1.	Project Planning	2/3/2003	8/29/2003
1.1.2.	Requirements Analysis-Planning	9/2/2003	2/27/2004
Acquisition			
1.2.	Procurement	2/2/2004	7/1/2004
1.2.1.	Prepare Investment Plan	2/2/2004	2/29/2004
1.2.2.	ISB review	3/18/2004	3/18/2004
1.2.3.	Prepare APD	2/2/2004	5/1/2004
1.2.4.	Prepare RFP	2/2/2004	5/1/2004
1.2.5.	Deliver APD to CMS	5/1/2004	5/1/2004
1.2.6.	Deliver RFP to CMS	5/1/2004	5/1/2004
1.2.7.	CMS review and approval of APD	5/1/2004	6/30/2004
1.2.8.	CMS review and approval of RFP	5/1/2004	6/30/2004
1.2.9.	Release RFP	7/1/2004	7/1/2004
1.3.	Select DDI Contractor	7/1/2004	10/1/2004
1.3.1.	Bidders Prepare Responses	7/1/2004	9/1/2004
1.3.2.	DSHS Receives Responses	9/1/2004	9/1/2004
1.3.3.	DSHS Evaluates Responses	9/1/2004	10/1/2004
1.3.4.	DSHS Informs Apparent Successful Vendor	10/1/2004	10/1/2004
1.4.	Negotiate DDI Contract	10/1/2004	1/18/2005
1.4.1.	Conduct Negotiations	10/1/2004	11/18/2004

Task	Description	Planned Start Date	Planned End Date
1.4.2.	CMS Review and Approval of the Contract	11/18/2004	1/18/2005
1.4.3.	Sign Contract	1/18/2005	1/18/2005
Infrastructure Upgrade			
1.5	Infrastructure Upgrade	9/01/04	6/30/06
1.5.1	Complete Infrastructure Upgrade	9/01/04	6/30/06
Business Process/Cultural Change			
1.6	Business Process/Cultural Change	1/18/2005	12/30/2006
1.6.1	Analysis of Current Business Processes	1/18/2005	9/15/2005
1.6.2	Design Future Business Processes	9/15/2005	5/15/2006
1.6.3	User Training/Orientation of Processes	5/15/2006	12/30/2006
Design			
1.7.	Design	1/18/2005	9/15/2005
1.7.1.	Complete Technical Design	1/18/2005	9/15/2005
Development			
1.8.	Development	9/15/2005	5/19/2006
1.8.1.	Complete Development	9/15/2005	5/19/2006
Testing			
1.9.	Testing	5/15/2006	11/01/2006
1.9.1.	UAT Test	5/15/2006	11/01/2006
Implementation			
1.10.	Implementation	12/30/2006	12/30/2008
1.10.1.	Phase 1 DDI/Implementation Complete*	12/30/2006	12/30/2006
1.10.2	Phase 2 DDI/Implementation Complete**	12/30/2007	12/30/2007
1.10.3	Phase 3 DDI/Implementation Complete***	12/30/2008	12/30/2008

* With completion of Phase 1, the CMS certifiable, core MMIS implementation will be complete.

** With completion of Phase 2, Medicaid programs from the current SSPS will be implemented on the modern MMIS.

*** With completion of Phase 3, similar non-Medicaid programs from the current SSPS will be implemented on the modern MMIS.

Task	Description	Planned Start Date	Planned End Date
Certification			
2.0.	WA MMIS Certification	12/30/2006	7/15/2007
2.0.1.	Prepare for Certification	12/30/2006	6/30/2007
2.0.2	Conduct MMIS Certification	6/30/2007	7/15/2007
Maintenance			
2.1	WA MMIS Maintenance	1/1/2007	12/30/2012¹²

7.2. Contingency Planning

[REDACTED]

RCW 42.17.310(1)(h)

[REDACTED]

[REDACTED]

- [REDACTED]

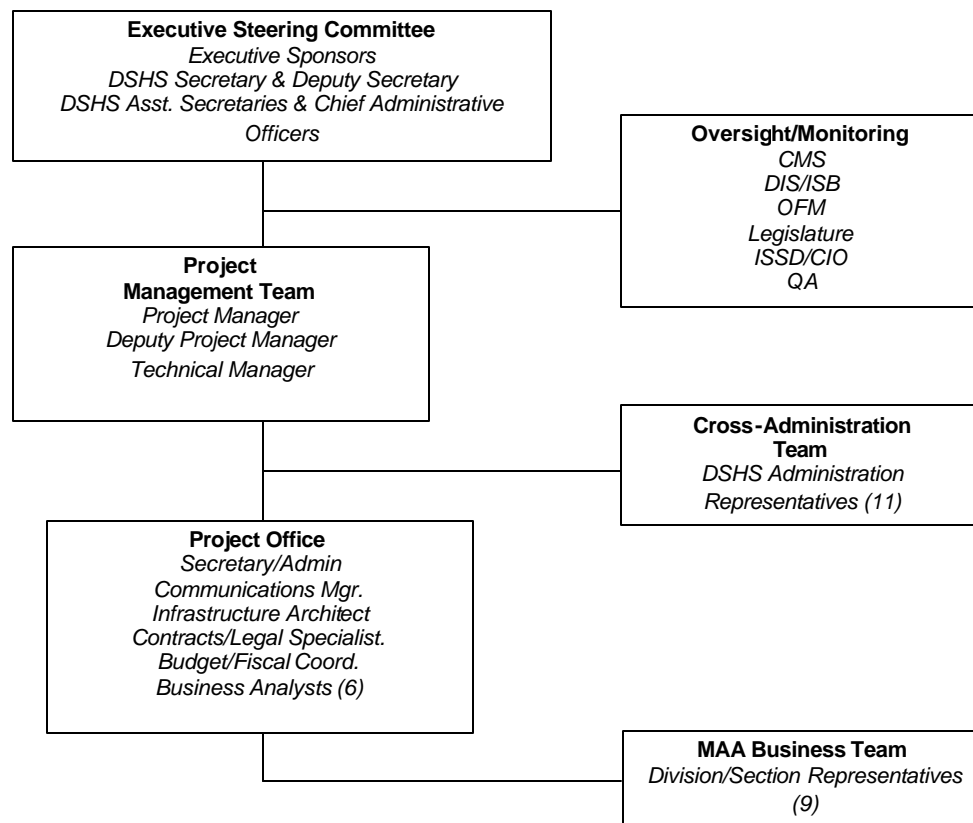
¹² Assumes the State exercises all three optional one-year extensions.

8. PERSONNEL RESOURCE STATEMENT AND PROJECT MANAGEMENT

The active participation of MMIS users, both internal and external to DSHS, is vital to the timely and successful implementation of the modern Medicaid system. MAA has taken a number of steps to manage the effects of introducing a modern MMIS to DSHS. The MMIS will have an impact on almost every facet of the organization. A full time project Manager, with over 22 years of large-scale project management experience, has been chosen to lead the MMIS Re-Procurement Project. The Project Manager will lead the Project Management Team and is responsible for managing the MMIS procurement tasks and the Design, Development, and Implementation tasks. He will report to the Executive Steering Committee. The organization of the Executive Steering Committee and the Cross Administration Team are considered by the industry to be best practices. Detailed work plans and schedules together with tools to manage change and track the status of DDI effort are required under Part 11 of the State Medicaid Manual. Proper oversight, commitment of staff, and the appropriate authority at the staff level to make decisions are critical success factors for the project.

8.1. Project Organization

The following is an organization chart for the MMIS Re-Procurement Project.



8.2. The Executive Steering Committee

The ESC is made up of executives from each of DSHS Administrations. As the planning phase of the project has progressed the ESC has been involved with the assignment of resources to attend requirements gathering sessions and to staff the project. ESC member responsibilities include:

- Attend regular meetings to address risks and concerns brought to them by the MMIS Re-Procurement Project Manager.
- Set the strategic vision and direction for the MMIS re-procurement, including determination of system scope and selecting a MMIS DDI option.
- Determine appropriate changes to DSHS policy as recommended by the MMIS Re-Procurement Project Manager or CAT members.
- Set priorities and resolve issues that could not be resolved at a lower level and that without resolution can affect time, cost, or performance constraints on the project.
- Track the management issues that may affect their administrations.
- Educate their administration's managers and staff about design issues, and the project timeline.
- Sponsor business process changes within their administration that will produce the greatest value and efficiency possible with the modern MMIS.

8.3. The Executive Sponsors

The Executive Sponsors chair the Executive Steering Committee and perform the following tasks:

- Attend ESC meetings.
- Ensure adequate project staffing and resources are assigned (funding, technology, and equipment).
- Define goals and objectives for the project, consistent with Executive Steering Committee decisions.
- Resolve issues that could not be resolved at a lower level and that without resolution can affect time, cost or performance constraints on the project and/or escalate issues to the Executive Steering Committee.
- Communicate Steering Committee decisions to the Project Manager.

8.4. The Project Management Team

The Project Management Team is responsible for the day-to-day management of the Project Office. The Project Manager, Deputy Project Manager and Technical Manager perform the following tasks:

- Attend project meetings.
- Facilitate appropriate changes to DSHS procedures, operations and systems.
- Define goals and objectives for the project consistent with executive decisions.
- Resolve issues that could not be resolved at a lower level and that without resolution can affect time, cost or performance constraints on the project.
- Escalate issues to the Executive Sponsor as appropriate.
- Manage the day-to-day tasks performed by the Project Office staff.
- Manage the deliverable review process to ensure the delivered MMIS meets the goals and objectives of DSHS.
- Identify risks and implement risk mitigation strategies.
- Facilitate and promote cross-administration communication.
- Develop and manage a DSHS stakeholder management plan.
- Serve as the point of contact with the Executive Steering Committee, Information Services Board (ISB), the Legislature, provider associations, and other State agencies.
- Serve as the primary point of contact between the Project Office and representatives from the Cross-Administration Team.
- Bring issues to the CAT for discussion and resolution.
- Monitor the deliverables schedule to ensure DSHS stakeholders receive the deliverables and are given sufficient time to review deliverables.
- Maintain project work plans, action item lists, and issue logs.
- Monitor and report the overall project status, including the status of all DDI contractor deliverables.

8.5. The Project Office

These positions are planned to be devoted full time to the project.

- Secretary/Admin
- Communications Mgr.
- Infrastructure Architect
- Contracts/Legal Specialist.
- Budget/Fiscal Coordinator
- Business Analysts (6)

8.6. The Cross Administration Team

Key staff from across DSHS has been selected to represent the needs of their administrations in procuring and implementing the modern MMIS. The Cross Administration Team (CAT) member responsibilities include:

- Attend regular CAT meetings.
- Participate in activities specific to the project tasks. For example; requirements definition, DDI contractor selection, verification of requirements, review of the transfer MMIS, testing, provider training and other tasks.
- Represent their administration and/or Division regarding the MMIS Re-Procurement Project.
- Contribute to the project team's understanding of the MMIS system requirements as they affect the administrations.
- Review and validate requirements deliverables.
- Lead business process analysis and re-engineering for their administration.
- Identify and resolve issues that impact the outcome of the project.
- Provide recommendations to the Executive Steering Committee on critical business decisions.
- Act as a communication conduit between the Project Office and their respective administration or division.
- Assist in leading the implementation and associated changes within their administration.
- Review and comment on deliverables according to the project work plan.
- Assist in business process analysis and re-engineering for their division.
- Contribute to needs analysis and alternatives analysis for the modern MMIS.

- Act as a point of contact between the project team and their division.
- Participate in development of communication materials/messaging with respect to their division and its stakeholders.

Administrations engaged will be:

- Aging and Disability Services Administration (2 FTE) which represents Long Term Care and Developmental Disability services;
- Health and Rehabilitative Services Administration (2 FTE) which represents Mental Health and Alcohol and Substance Abuse services;
- Economic Services Administration (2 FTE) which represents the Automated Client Eligibility System;
- Financial Services Administration (1).
- Children's Administration (1 FTE) which represents Medicaid programs that are currently authorized and paid in the Social Services Payment System;
- Juvenile Rehabilitation Administration (1 FTE) which represents Medicaid programs that are currently authorized and paid via manual methods; and
- Management Services Administration (2 FTE) which represents the Social Services Payment System, whose current Medicaid payment functionality will be converted to the new MMIS, requiring significant coordination to "turn off" and shift such Medicaid payments.

8.7. MAA Business Team

MAA Business team is made up of representatives from work units across MAA. The team is responsible for addressing MMIS operational issues such as policy and business process decisions. Members of MAA Business Team perform the following tasks:

- Attend and represent their division at project meetings.
- Participate in activities specific to the project tasks. For example; requirements definition, DDI contractor selection, verification of requirements, review of the transfer MMIS, testing, provider training and other tasks.
- Contribute to the project team's understanding of MMIS system requirements for their division.
- Review and validate requirements and deliverables according to the project work plan.
- Assist in business process analysis and re-engineering for their division.
- Contribute to needs analysis and alternatives analysis for the modern MMIS.

- Act as a point of contact between the project team and their division.
- Participate in development of communication materials/messaging with respect to their division and its stakeholders.

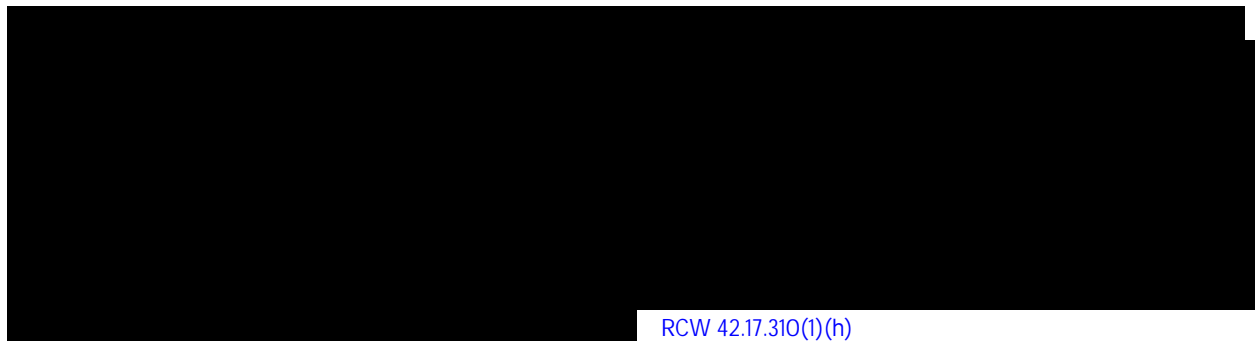
Business operations represented include:

- Finance (1)
- Institutional and Non Institutional rates (1)
- Customer services (1)
- Medical Policy (1)
- Managed Care (1)
- Claims Processing (1)
- Information Services/Technology/MMIS Services (1)
- Disability Determination Services (1)
- Medical Management (1)

9. CONSTRAINTS AND ASSUMPTIONS

9.1. Functional Constraints and Assumptions

The modern MMIS must interface with other systems in order to manage the DSHS Medicaid program. To the degree that the interfaces must change, there is potential impact to the modern MMIS. For example, MMIS depends on the eligibility system, ACES, to provide client eligibility data. Similarly, the project plans to develop an interface with the Department of Health to transmit provider certification and licensure data to support provider enrollment. To the degree any of these interfaces fall short of meeting the business needs, the MMIS will be adversely impacted. To counter this possibility, the MMIS Re-Procurement Project plans to form workgroups to address these critical interfaces. The workgroups will be comprised of knowledgeable stakeholders from the MMIS and other affected systems. The workgroups will be tasked with identifying and prioritizing changes to both systems, monitoring status of the interface modifications, and advising the project team of any issues or impact to schedule. Unresolved issues will be escalated to the Executive Steering Committee for resolution.



RCW 42.17.310(1)(h)

9.2. Federal Constraints and Assumptions

Federal regulations require that MMIS contracts be competitively bid periodically. DSHS competitively re-procured the current MMIS in 1989, just once since implementation in 1982. In September 2003, the MMIS Re-Procurement Project received Information Services Board (ISB) approval to extend the current MMIS vendor maintenance contract until December 2007, giving DSHS the time needed to address re-procurement. Since then, the project sought approval from CMS for the same contract period through December 2007. However, CMS approved extension of the contract through December 2006 only. Therefore, DSHS is obligated to replace the MMIS no later than December 2006, allowing just 24 months for DDI.

It is assumed that CMS will continue to support changes to the HIPAA regulations and require States to comply with new HIPAA regulations throughout DDI period Washington has proposed.

It is assumed that appropriate matching Federal funds will continue to be available to support the enhancement of the current MMIS to comply with new Federal mandates that occur during the proposed DDI period.

9.3. Washington State Constraints and Assumptions

Existing labor laws within the State of Washington dictate that the existing operations management structure for the Medicaid program and MMIS operations will remain.

The Washington State Legislature regularly updates health policy and requires DSHS to respond to new health related initiatives. Any new initiatives introduced during the proposed DDI period may have to be addressed in both the existing legacy MMIS and the modern MMIS.

It is assumed that the modern MMIS will enhance the effectiveness of the existing operations management structure.

[RCW 42.17.310\(1\)\(h\)](#)

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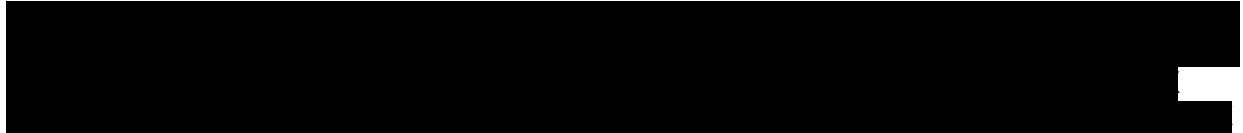
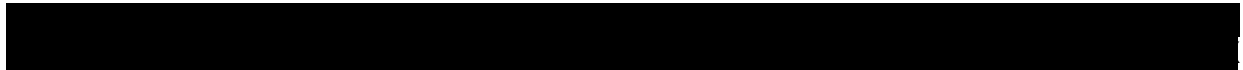
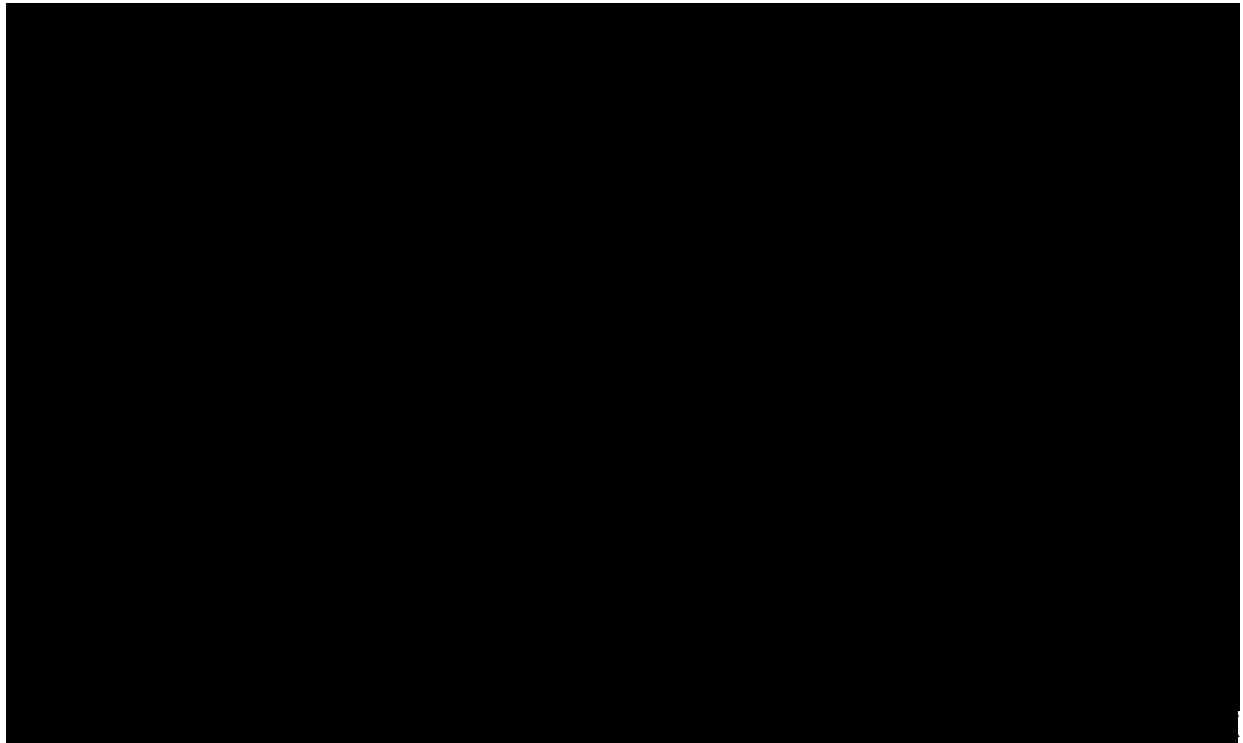
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10. PROPOSED BUDGET AND COST DISTRIBUTION

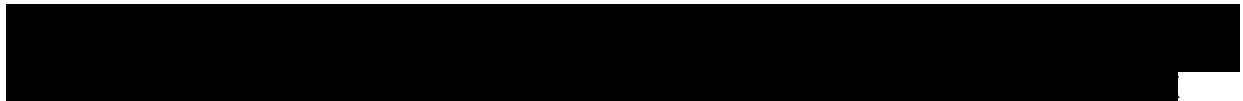
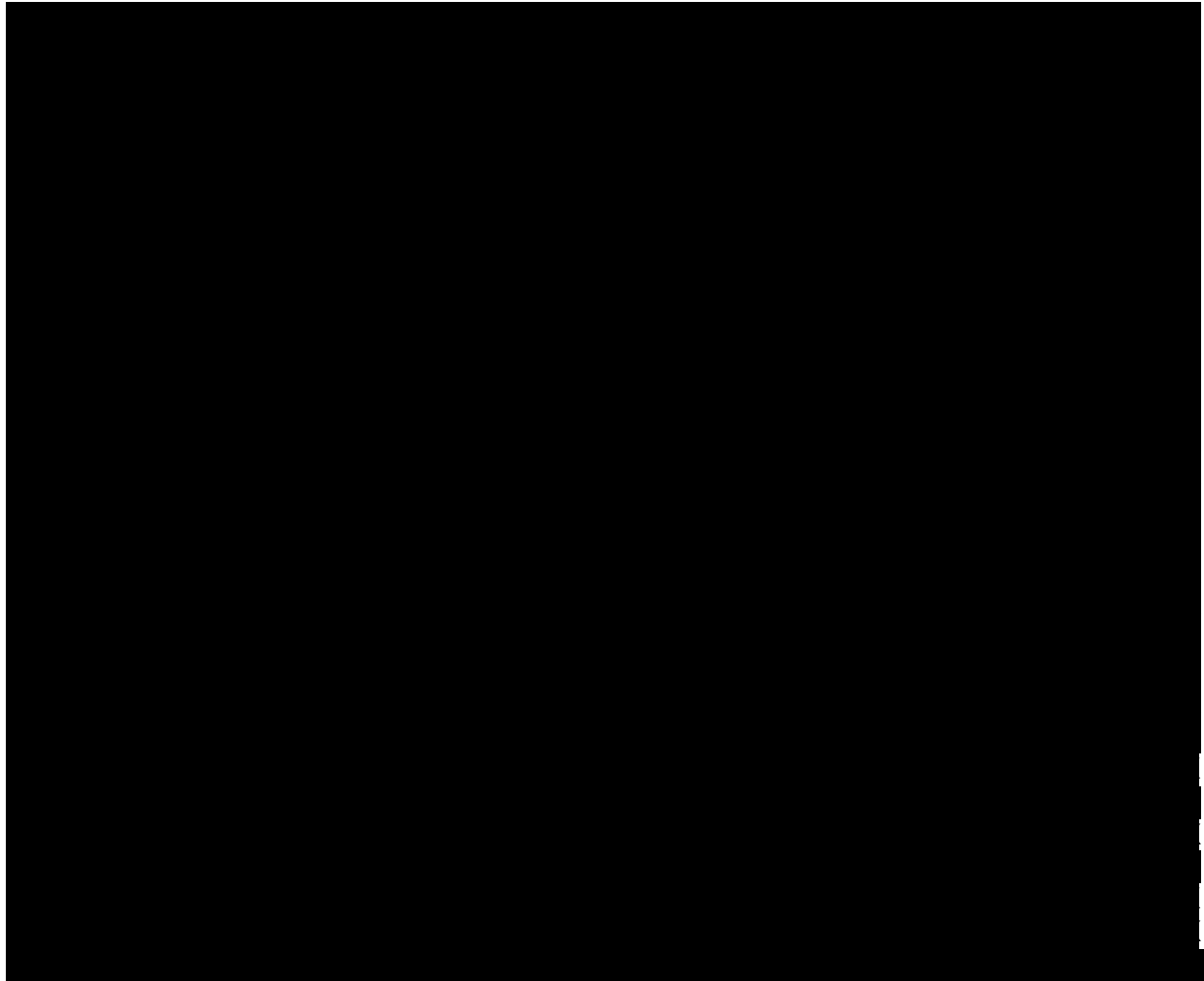
10.1. Current Funding Request

RCW 42.17.310(1)(h)



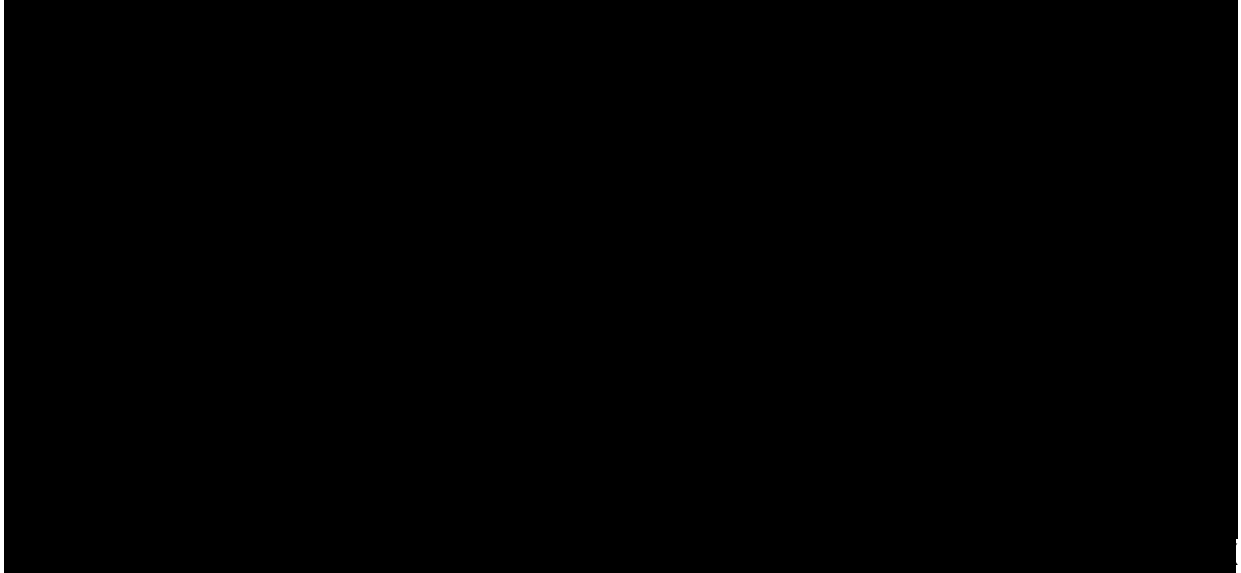
10.2. DDI Funding

[RCW 42.17.310\(1\)\(h\)](#)



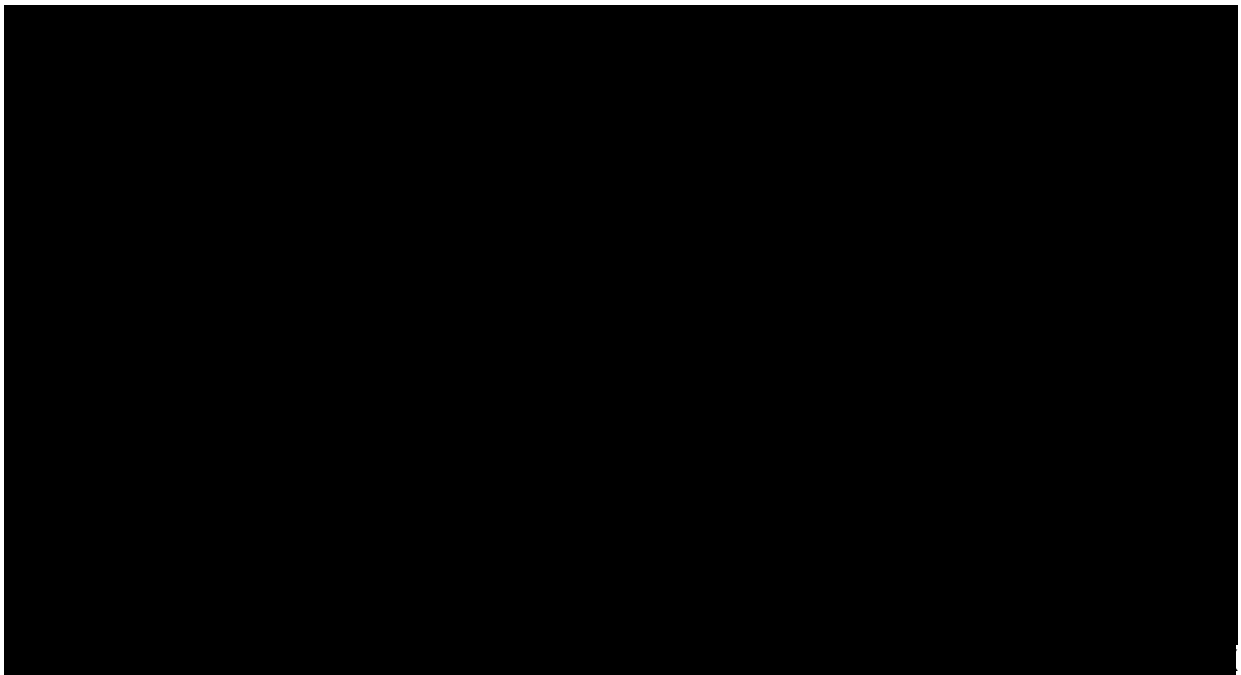
10.3. Operations Budget

[RCW 42.17.310\(1\)\(h\)](#)



10.4. Total Summary Budget

[RCW 42.17.310\(1\)\(h\)](#)



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10.5 Staffing Details

[RCW 42.17.310\(1\)\(h\)](#)

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[RCW 42.17.310\(1\)\(h\)](#)

11. PERIOD OF USE

11.1. Base Facilities Management Contract

CMS recommends that the period of use, also known as the system life cycle, for a flexible table driven rules based MMIS should be a significant number of years. It is also valid that the relative costs of these “best of breed” systems requires a longer operational period to allow for the return on investment of the cost for design, development, and implementation.

The State of Washington intends to execute a contract with the selected contractor for the design, development, implementation, operations support, and ongoing maintenance of a modern Medicaid system. The contract will include a turnover task should DSHS choose to enhance its operation in the future. DSHS expects the modern Medicaid system will be developed using modern technology, including system features and flexibility that will make the system easier to maintain and enhance when changes in Federal or State policy are enacted. DSHS anticipates that the modern MMIS, once implemented, will successfully meet the needs of the Washington State Medicaid program for up to ten years.

A key component of the modern Medicaid System will be the construction and implementation of a Data Warehouse for management reporting, to add enhanced informational retrieval and reporting features, and to support MAR, SUR and ad-hoc reporting functions.

In keeping with the guidance provided by CMS, the State of Washington has established a five (5) year base period of use for the MMIS and Data Warehouse/Decision Support System.

11.2. Optional Contract Extension

[RCW 42.17.310\(1\)\(h\)](#)

The terms of the contract with DDI vendor will be for a base period of five years, with a provision for up to three one-year extensions at DSHS's option, [REDACTED]. It is anticipated that the base period of five years will have the advantage of increasing the interest of potential vendors, while decreasing the average costs per year and ensuring that DSHS will not be restricted in its contracting options at the end of the base period.

12. ASSURANCES AND AGREEMENTS

The following agreements are provided in accordance with the requirements of 42 CFR 433.112 and Part 11 of the State Medicaid Manual (SMM).

12.1. Base Assurances and Agreements

The State of Washington DSHS agrees with the following.

- This I-APD is submitted in accordance with the following laws and regulations regarding MMIS operations and conditions for enhanced FFP: Federal Social Security Act, Title XIX, 42 USC 1396 et seq.; 45 CFR Part 74; 45 CFR Part 92; 45 CFR Part 95, Subpart F; 42 CFR Part 433, Subpart C; and Part 11 of the State Medicaid Manual.
- Washington will provide the requisite matching state funds for the costs of this project.
- The MMIS will meet the system requirements and performance standards as detailed in Part 11 of the SMM.
- The MMIS will be compatible with the claims processing and information retrieval systems used in the administration of Medicare for prompt eligibility verification and for processing claims for persons eligible for both programs.
- The MMIS will support the data requirements of the Peer Review Organizations established under Part B of Title XI of the Social Security Act.
- The state will own any software that is designed, developed, installed, or enhanced with 90 percent FFP.
- The state will have royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use and authorize others to use for Federal Government purposes, software, modifications to software, and documentation that is designed, developed, installed, or enhanced with 90 percent FFP.
- The costs of the system will be determined in accordance with OMB Circular Number A-87 as referenced in 45 CFR 92.22.
- The state agrees to use the system for the period of time specified in the APD approved by CMS or for any shorter period of time that CMS determines justifies federal funds invested.
- The state agrees that the information in the system is safeguarded in accordance with State and Federal security and disaster recovery regulations including 42 CFR Part 431, 45 CFR 205.50, and the Security and Privacy regulations under HIPAA.
- The pertinent requirements of 45 CFR 95.612 on disallowance and of 45 CFR 95.621 on system security apply.

12.2. Ongoing HIPAA Compliance

DSHS requires that the modern MMIS be fully HIPAA compliant, including the Transaction and Code Sets Rule, Privacy Rule, Security Rule, as well as the National Provider ID and other future rules. DDI Vendors will be required to demonstrate HIPAA compliance.

12.3. MITA Compliance

DSHS recognizes that MITA standards are under development and that vendor solutions may or may not support MITA. At the same time, a component-based architecture also supports DSHS's goals and policies around enterprise architecture. Therefore, in order to provide DSHS with the greatest flexibility while encouraging MITA compliance, DSHS has adopted the following strategy:

4. Encourage MMIS vendors to propose a component based design around natural clusters of business functionality and data which gives DSHS maximum flexibility to upgrade or replace components in the future or expose components for use by other parts of DSHS or the state.
5. Encourage MMIS vendors to support interoperability and integration across DSHS's portfolio of systems which may require integration with agency level reference systems.
6. Encourage MMIS vendors to meet future MITA or other external architecture requirements.

DSHS will evaluate vendor proposals for the degree they meet the above and score them accordingly.

13. CONCLUSIONS

The State of Washington's objectives in preparing this I-APD are:

1. To provide CMS with a comprehensive description of the needs and objectives, scope, schedule, requirements analysis and alternative considerations, required resources, proposed budget and cost distribution, and a cost benefit analysis in order to secure a transfer of an existing MMIS and acquire Data Warehouse/Decision Support technology.
2. To request enhanced federal financial participation (FFP) for the procurement and associated activities.

The State of Washington DSHS will be diligent in keeping CMS informed and involved throughout the MMIS Re-Procurement Project and subsequent operations activities. The State will seek CMS approval of all documents and activities as required. This document includes all information required by CMS and the appropriate federal regulations. DSHS has taken great care to ensure that this project:

- Is well-planned and technically sound and will be managed effectively.
- Is consistent with CMS systems goals, such as promoting common claim forms and procedure coding, fostering Medicaid provider satisfaction, and meeting HIPAA and CLIA regulations.
- Is cost effective.
- Will comply with all Federal and State procurement requirements.

DSHS appreciates CMS' consideration of this I-APD request to transfer and modify a modern MMIS that meets the State of Washington's Medicaid needs.

14. APPENDICIES

1. Sample timesheet
2. MMIS Re-Procurement Project
Detailed Implementation Schedule (DIS)